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# FIRST REPORT

OF

## THE COMMISSIONERS

APPOINTED TO INQUIRE INTO

# FRIENDLY AND BENEFIT BUILDING SOCIETIES;

TOGETHER WITH

MINUTES OF EVIDENCE, APPENDIX, AND INDEX.

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Presented to both Houses of Parliament by Command of Her Majesty.

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LONDON:

PRINTED BY ALBION ROW AND BYRE AND WILLIAM SPOTTISWOODE,  
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY.  
FOR HER MAJESTY'S STATIONERY OFFICE.

1871.



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## CONTENTS.

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	PAGE
COMMISSION - - - - -	iii
REPORT - - - - -	v
LIST OF WITNESSES - - - - -	vii
MINUTES OF EVIDENCE - - - - -	1
APPENDIX.	
A.—Secretary's Memorandum on Returns from Building Societies -	245
B.—Paper by Mr. J. W. Williams - - - - -	249
INDEX - - - - -	251

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## COMMISSION.

### VICTORIA R.

Victoria, by the Grace of God, of the United Kingdom of Great Britain and Ireland, Queen Defender of the Faith :

To Our right trusty and well-beloved Councillor Sir Stafford Henry Northcote, Baronet, Companion of Our Most Honourable Order of the Bath ; Our trusty and well-beloved Sir Michael Edward Hicks-Beach, Baronet ; Our trusty and well-beloved Sir Sydney Hedley Waterlow, Knight, one of the Aldermen of the City of London ; Our trusty and well-beloved John Bonham-Carter, Esquire ; Our trusty and well-beloved Evan Matthew Richards, Esquire ; Our trusty and well-beloved Charles Savile Roundell, Esquire ; Our trusty and well-beloved Francis Thomas Bircham, Esquire ; and Our trusty and well-beloved William Pollard Pattison, Esquire, greeting :

Whereas the Knights, Citizens, and Burgesses, and Commissioners of Shires and Burghs, in Parliament assembled, have presented an humble Address to Us, praying that We will be graciously pleased to issue a Royal Commission to inquire into the existing state of the Law relating to Friendly Societies :

Now know ye, that We, reposing great Trust and Confidence in your Zeal, Discretion, and Ability, have authorised and appointed, and do by these Presents authorise and appoint you, the said Sir Stafford Henry Northcote ; Sir Michael Edward Hicks-Beach ; Sir Sydney Hedley Waterlow ; John Bonham-Carter ; Evan Matthew Richards ; Charles Savile Roundell ; Thomas Francis Bircham (*sic*) ; and William Pollard Pattison, to be Our Commissioners to inquire into the existing state of the Law relating to Friendly Societies ; and We do further enjoin you, or any Three or more of you, to inquire into and report upon the operation of the Acts relating to Friendly Societies and Benefit Building Societies, and the organization or general condition of Societies established under such Acts respectively, and upon the Office and Duties of the Registrar of Friendly Societies, with power to suggest any improvements to be made in the Law with respect to the matters aforesaid :

And for the better discovery of the Truth in the Premises, We do by these Presents give and grant to you, or any Three or more of you, full Power and Authority to call before you, or any Three or more of you, such persons as you may judge necessary, by whom you may be better informed of the matters herein referred for your consideration, and also to call for and examine all such Books, Documents, or Records as you shall judge likely to afford you the fullest information on the subject of this Our Commission, and to inquire of and concerning the Premises by all other lawful Ways and Means whatsoever ; and Our further Will and Pleasure is that you, or any other Three or more of you, do report to Us under your Hands and Seals, with as little delay as may be consistent with the due discharge of the duties hereby imposed upon you, your Opinion on the several Matters herein submitted for your Consideration, with power to certify from time to time your several Proceedings in respect of any of the Matters aforesaid, if it may seem expedient for you to do so.

And We do further will and command and by these Presents ordain, that this Commission shall continue in full Force and Virtue, and that you Our said Commissioners,

or any Three or more of you, shall and may from Time to Time proceed in the execution thereof, and of every Matter and Thing therein contained, although the same be not continued from Time to Time by Adjournment.

And for your Assistance in the due Execution of these Presents, We have made choice of Our trusty and well-beloved John Malcolm Ludlow, Esquire, Barrister-at-Law, to be Secretary to this Commission, to attend you, whose Services and Assistance We require you to use from Time to Time as occasion may require.

Given at Our Court at Saint James's, the Twenty-ninth Day of October, One thousand eight hundred and seventy, in the Thirty-fourth Year of Our Reign.

By Her Majesty's Command,

(Signed) H. A. BRUCE.

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# FIRST REPORT.

TO THE QUEEN'S MOST EXCELLENT MAJESTY.

WE, Your Majesty's Commissioners, appointed to inquire into the operation of the Acts relating to Friendly Societies and Benefit Building Societies, and the organization or general condition of societies established under such Acts respectively, and upon the office and duties of the Registrar of Friendly Societies, with power to suggest any improvements to be made in the law with respect to the matters aforesaid, humbly beg leave to submit to Your Majesty this our first Report of our proceedings, together with the minutes of evidence and other documents hereto annexed.

We have examined 66 witnesses, including the three principal officers of the Registrar's office in London, Mr. A. K. Stephenson, Registrar of Friendly Societies for England, Mr. E. W. Brabrook, Assistant-Registrar, and Mr. Henry Tompkins, chief clerk at the Registrar's office; the officers of the two largest affiliated Friendly Societies; gentlemen connected with two large county societies; several actuaries of eminence; a group of witnesses connected with Burial Societies of different types; a still larger group of officers of societies and other persons connected with Benefit Building Societies, and gentlemen representing Working Men's Clubs and Institutes.

Materials for a more extensive inquiry as regards Friendly Societies have been provided through the supply from the Registrar's office of a duplicate of its printed list of Friendly Societies, dating some years back, which has been carefully completed and collated from the existing register. A similar list has been supplied by the Registrar for Ireland, but not by the Registrar for Scotland, that gentleman stating, in reply to the application made to him on behalf of the Commission, that "the societies are so numerous, that it is impossible to give a statement."

The numerous communications received from all parts of the country, *vivâ voce* or by letter, some of them pressing evidence upon us, others containing complaints of different descriptions, or urging the need of local inquiry, have shown to us the widespread interest taken in the subject of our investigations.

For the reasons given in the subjoined letter\* from our Chairman to Your Majesty's Secretary of State for the Home Department, we confined ourselves, from the 10th

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\* THE CHAIRMAN, to the RIGHT HON. H. A. BRUCE, M.P., Her Majesty's Secretary of State for the Home Department.

Sir, 3rd July 1871.  
I HAVE been requested by my colleagues on this Commission to bring under your notice the progress which we have thus far made towards the discharge of the duties assigned to us, and the position in which we at present stand.

It appeared to us upon our first considering the scope of the inquiry directed by Her Majesty's gracious Commission, that it would be our proper course to commence our proceedings by obtaining general evidence on the subject of the various classes of Friendly Societies. We accordingly began by examining some official witnesses, and a number of gentlemen connected with the various classes of these societies.

In the month of February, while we were still engaged in this branch of our inquiry, I was obliged to leave the country on public business, and it appeared to my colleagues and myself to be desirable to suspend for a time the inquiry into the Friendly Societies, and to take up that which also formed part of the subject matter of our Commission, into the state of the law affecting Benefit Building Societies. During my absence, Sir Michael Hicks-Beach took the chair.

We are now on the point of submitting to Her Majesty the evidence taken on this question, reserving for the present the observations which we shall hereafter have to make upon it.

We are now once more proceeding with the inquiry into the Friendly Societies. The evidence which we have thus far taken is interesting, and throws much light upon the position of these societies, as well as upon the magnitude of the interests, pecuniary and other, which are involved in them; but it is, as yet, far from complete; and we are of opinion that, in order properly to discharge the duty with which we have been intrusted, it will be necessary for us to institute a more thorough and searching inquiry into some branches of the subject than we have yet had the means of doing. We are of opinion that it will not only be necessary for us, or for some of our number, to visit some of the provincial towns and to hold inquiries there, but that we shall also require to be invested with powers, which we do not at present possess, of compelling the attendance of witnesses and the production of books and papers, and of taking evidence in certain cases upon oath.

Should Her Majesty's Government think it desirable, we would suggest that application be made to Parliament for the necessary powers, and that a short bill for the purpose should forthwith be introduced.

We are further of opinion that it will be necessary for us to have the assistance of some paid assistant com-

March to the 22nd June, both inclusive, to taking evidence upon Benefit Building Societies. A bill for amending the law respecting these societies has been laid before Parliament in each of the last two sessions, but the subject is one which has not as yet formed the ground of any authoritative inquiry, either parliamentary or official.

We reserve for the present our conclusions, but have thought it right at once to submit to Your Majesty the evidence taken in reference to this branch of our inquiries.

(Signed)

STAFFORD H. NORTHCOTE.

M. E. HICKS-BEACH.

S. H. WATERLOW.

J. BONHAM CARTER.

E. M. RICHARDS.

C. S. ROUNDELL.

F. T. BIRCHAM.

W. P. PATTISON.

missioners. Our inquiry, which comprises Scotland and Ireland, as well as England, covers so extensive a field, and its ramifications are so numerous and complicated, that we have no hesitation in saying that assistance of this kind is indispensable. The duties of the assistant commissioners would, we think, be of a twofold character. They would have to collect information from various quarters where it would be freely given, to digest it, and to submit it to the Commission. They would probably also have to investigate complaints, and to obtain evidence which would require to be very carefully sifted, and might in some cases be met with evasion, or opposition, which they would need authority to overcome.

We are therefore of opinion that, while the majority of those who may be appointed may properly be selected from among gentlemen of general intelligence, possessing the qualifications necessary for acquiring information, and capable of putting it into a convenient shape, there ought to be amongst them at least two barristers or solicitors of standing and experience, accustomed to conduct the examination of witnesses, and that these gentlemen should be armed with the same powers for the conduct of formal inquiries, as we have proposed should be given to ourselves. We make this suggestion, not only with a view to the employment of these gentlemen on inquiries in which we ourselves are unable to take part, but because we think it may often be of use that, when one or more of our own body, who may not have had the advantage of legal training, undertake the personal conduct of any difficult inquiry, an assistant commissioner should be available to render his aid.

We are of opinion that we should be allowed six assistants in all, of whom two should, for the reasons already given, be barristers or solicitors of standing, and should be armed with the same powers as we have asked for ourselves.

(Signed)

STAFFORD H. NORTHCOTE,

Chairman.



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**MINUTES OF EVIDENCE.**

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# LIST OF WITNESSES ON BUILDING SOCIETIES.

10th March 1871.				PAGE	5th May 1871.				PAGE
Mr. James Higham	-	-	-	1	Mr. Silas Andrew	-	-	-	128
Mr. W. W. Baynes	-	-	-	"	Mr. W. Austin Lee	-	-	-	"
Mr. W. S. Hoare	-	-	-	"	Mr. Geo. Lea	-	-	-	"
Mr. W. R. Warner	-	-	-	"	Mr. S. T. Woodhouse	-	-	-	"
17th March 1871.					12th May 1871.				
Mr. E. W. Brabrook	-	-	-	26	Mr. H. J. Phillips	-	-	-	145
Mr. W. R. Selway	-	-	-	"	Mr. William Ascroft	-	-	-	"
Mr. P. Blake	-	-	-	"					
24th March 1871.					19th May 1871.				
Mr. James Taylor	-	-	-	46	Mr. Josiah Hosking	-	-	-	158
Mr. L. W. Winterbotham	-	-	-	"	Mr. T. E. Priest	-	-	-	"
Mr. H. J. Brown	-	-	-	"	Mr. Charles Lund	-	-	-	"
					Mr. J. A. Binns	-	-	-	"
31st March 1871.					26th May 1871.				
Dr. Bowkett	-	-	-	64	Mr. John Ryalls	-	-	-	179
Mr. W. J. Prangnell	-	-	-	"	Mr. F. Ingoldby	-	-	-	"
Mr. T. F. Peacock	-	-	-	"	Mr. John Ingle	-	-	-	"
Rev. Thomas Thomas	-	-	-	"	Mr. C. L. Gruneisen	-	-	-	"
					Mr. W. E. Whittingham	-	-	-	"
20th April 1871.					6th June 1871.				
Mr. T. Y. Strachan	-	-	-	87	Mr. J. W. Williams	-	-	-	202
Mr. J. W. Campbell	-	-	-	"	Mr. James Turner	-	-	-	"
Mr. J. S. Parker	-	-	-	"	Mr. Alfred Allott	-	-	-	"
					Mr. Francis Ravenscroft	-	-	-	"
28th April 1871.					15th June 1871.				
Mr. Thomas Dawson	-	-	-	105	Mr. W. Lockey Harle	-	-	-	230
Mr. Thomas Fatkin	-	-	-	"					
Mr. J. W. Middleton	-	-	-	"					
Mr. J. Lloyd Jones	-	-	-	"					
Mr. J. B. Reay	-	-	-	"					
					22nd June 1871.				
					Mr. Arnaldo Friedlein	-	-	-	237

# MINUTES OF EVIDENCE

TAKEN BEFORE

## HER MAJESTY'S FRIENDLY SOCIETIES COMMISSIONERS

ON

## BENEFIT BUILDING SOCIETIES.

Friday, 10th March 1871.

PRESENT :

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

ALDERMAN SIR SYDNEY H. WATERLOW.  
JOHN BONHAM-CARTER, Esq., M.P.

CHARLES SAVILE ROUNDELL, Esq.  
WILLIAM POLLARD PATTISON, Esq.

MR. JAMES HIGHAM, MR. WILLIAM ROBERT WARNER, MR. WILLIAM S. HOARE, and MR. W. W. BAYNES examined.

2849. (*Chairman to Mr. Higham.*) What position do you occupy in connexion with building societies? —I am secretary of the Fourth City Mutual Building Society in Cannon Street, and also a member of the committee of the Building Societies Protection Association.

2850. I think that it would be convenient to the Commission if you would first give us some account of the origin and objects of building societies; then enter into some statement as to their present position, and the purposes for which they now exist—then proceed to the consideration of the law, the different Acts of Parliament which have been passed, and which are the law by which building societies are now regulated, and then go on to the defects, which you, speaking on behalf of the building societies, consider to exist in the present law; with any suggestions for their remedy, and general points of that nature. I will first ask you to give some account of the origin of building societies? —I became acquainted with building societies about the year 1843, and then I think I may say the only societies known in London were on what is called the terminating principle, and which, for want of experience, were established upon the same plan as was then adopted at Liverpool. They consisted of two classes of members, investors and borrowers. The terminating societies of that particular class were supposed to be closed in about 10 years, but the termination depended upon the realisation of a certain amount, generally 120*l.*, as the value of the share; the society was to terminate when there was sufficient to pay all the investing members 120*l.* per share, so that the borrowers' payments and position were uncertain; their payments were usually at the rate of 10*s.* per share for subscriptions, and 4*s.* per share for what was called a redemption fee.

2851. You mean the payments of the shareholders? —The payments of the borrowers, who were all shareholders, were eight guineas per share per annum, or 84*l.* in 10 years; and it was assumed that the investors would receive 120*l.* for each share at the end of 10 years. But as time went on it was found that that was fallacious. Of course, as in all commercial undertakings, it depended upon the amount of business which they were doing, and their general success, so that instead of terminating in about 10 years it frequently occurred that the society existed for 11 years, 11½ years,

12 years, or even 12½ years, and if they had sustained any losses in connexion with any of their transactions, they existed for a longer period even than that. I became secretary to a terminating society in the year 1846, which society was established on something like that principle, and the right to advances was obtained in our case, and very generally, by sale or bidding at monthly meetings of the members. It was considered that a member was to receive 120*l.* for each share, and the premiums for the advances ranged from 50*l.* to 60*l.*, or even more, per share, so that assuming the premium to be 60*l.* per share, a man actually received 60*l.*, and then in the course of ten years, he would repay 84*l.* But to give you an illustration of my experience of the working, I found that some parties paid a premium of 62*l.* or 63*l.* per share, and others perhaps, on the next monthly night, might obtain an advance at the rate of 54*l.*, or 55*l.*, or 56*l.* per share, especially if it happened that the party bidding was known to the directors, and they did not like to bid against him. It then soon occurred to myself, and to many others who had experience in the working of this plan, that that was unfair to many of the borrowers, and the result was that it led to the establishment of terminating societies at a fixed date; and in the year 1849, or thereabouts, I established one, and have established others since, making the position of the borrower certain (because we found of course that all profits were derived and obtained from the borrower, and the member who meant to pay wanted to know what his repayments would be). We therefore made the borrower's position certain, and the investors had to take their chance as to what would be realised at the termination of the society.

2852. I do not quite understand how you made the borrower's position certain, because there still remained, did there not, the uncertainty of the sum of money which might be in the hands of the society to be advanced, and the amount of premium which the members of that society might be willing to give; the premium might be more, for instance, at one meeting than it was at another, because the members present at the first meeting might be more in need of an advance?—Just so, in the original societies, and in many cases the members requiring advances did not exactly understand what they were about. In the other societies to which

*Mr. J. Higham,  
Mr. W. R.  
Warner,  
Mr. W. S.  
Hoare,  
Mr. W. W.  
Baynes.*

10 Mar. 1871.

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Mr. W. R.  
Warner,  
Mr. W. S.  
Hoare,  
Mr. W. W.  
Daynes.

10 Mar. 1871.

I have referred, we did away with the premiums entirely.

2853. Did not that element of uncertainty still remain?—No. In the society I established in 1849, we made the amount of the share 75*l*., and the repayments were calculated on something like the same scale as if a member had had 60*l*., in one of the original societies, and the advance was to be paid back in 10 years. By that means we made the position of the borrower absolutely certain.

2854. Then you fixed the premium?—No, we did away with the premium. Instead of the shares being nominally 120*l*., each, from which the premium was deducted, our shares were fixed at 75*l*., each, and the borrowers' payments being certain, the investors had to take their chance as to what profits might be realized.

2855. (*Mr. W. P. Pattison.*) Will you explain the order of formation of the society?—Some gentlemen having determined to form a society, invited their neighbours and friends to subscribe, and in establishing the original terminating societies it was the usual practice to notify that there would be a sale at the first or second monthly meeting, and in some cases it was the practice for the directors to fix the minimum prices for the rights to advances.

2856. Whence did the funds come from which the persons had advances?—The first monthly subscriptions might amount to 200*l*., or 300*l*., and the directors would agree to sell, perhaps to the extent of 1,000*l*., under the impression that if they wanted the money, even before the next monthly payment came, they could borrow to provide for the advances; but usually it would take two or three months before any of the mortgages were ready, and the borrowers were generally allowed three months to find their securities, and in the meantime money would be flowing in. 80 or 100 persons would probably join at the establishment of a society, according to the influence of the promoters and the exertions which they used. Such a society only consists of investors till the money is lent; and sometimes intending borrowers applied for advances in anticipation of finding a security after they had arranged for the money, thinking that it would not be right to agree to purchase property until they had ascertained that they could have the money; and occasionally it was even six months before the transaction was completed, so that much larger amounts of money were applied for than the funds actually in hand. And this, in the early stage of a terminating building society, would probably be continued month by month, because, from the very nature of the society, its duration being limited, it is most important that as much business as possible should be done in the early stage of the society.

2857. (*Chairman.*) We have now got at the first investors and the first borrowers, who borrow the money which the investors have paid in. Supposing a case, such as that to which you have referred, where the directors may wish to advance a greater sum than they have in hand from the actual subscriptions, in what way is that sum procured?—By loans usually; deposits were then scarcely ever received. Almost all societies received loans, and at that time there was no question about the right to borrow.

2858. On what security were those loans made?—On promissory notes. I hold in my hand a book, published by the Lords of the Treasury in 1838, for gratuitous distribution, in order to assist in establishing these societies. It is intitled "Instructions for the Establishment of Benefit Building Societies, with Rules and Forms of Mortgage, &c. applicable thereto," and includes a rule expressly in the model form "Trustees may borrow money." Mr. Tidd Pratt first called my attention to this book; he asked me to get copies of it distributed as far as I could.

2859. Is it stated on the book that it was published by the Lords of the Treasury?—No; but that is the fact, and there can be no doubt that the rule just referred to was the model on which the rules for borrowing money have been generally framed.

2860. Where did you get this book?—No doubt I received it from Mr. Tidd Pratt personally, 20 years or more ago.

2861. I notice in the introduction a statement of the purposes for which building societies may be formed as laid down by the 6th and 7th William the 4th, chap. 32, and then there is a paragraph saying, "In order to assist in the formation of benefit building societies the following rules have been prepared" by the certifying barrister, and are now printed by "direction of the Lords of the Treasury for gratuitous distribution," and then follow the rules, which form a great part of the book?—Yes; in rule 15 you will see a model form that trustees may borrow money.

2862. Rule 15 is this, "That as often as it shall be deemed advisable to dispose of any share or shares, or any fractional parts of shares, by sale or ballot, when there shall not be any moneys lying in the hands of the bankers to the credit of the society, it shall be lawful for the committee to direct the trustees or major part of them to apply for and obtain from the bankers such sum or sums of money as shall be necessary to provide for such share or shares or fractional parts of shares, and the trustees shall make such application accordingly"?—It is usually provided in the rules that the money may be obtained "from the bankers or elsewhere."

2863. That rule simply contemplates a temporary advance from the bankers?—Clearly; and that is all that these loans were at that time; they were usually obtained for short periods, and renewed from time to time until it was convenient to repay them, because if a terminating society is prosperous, in the course of time the subscriptions will accumulate, and the directors may have more money than they have applications for, and then it becomes desirable to repay the loans.

2864. The advance contemplated by this rule is in the nature of a temporary loan, apparently upon shares which are to be paid up in a certain time?—Yes; to meet just the case to which you have alluded of a sale. The rule says, in the event of your having a sale for an advance, and not being able to complete the thing without assistance, the trustees shall be authorized to borrow money—it meets just that particular case.

2865. Are you aware of any cases which have been decided upon that point?—Several; I have several here.

2866. Are you aware that it has been decided that the overdraving of their banking account by a company is not a borrowing of money, the balance due from the company being in the nature of a debt?—I am not aware of such a decision relating to building societies; I take it that no decision applied to a company has anything at all to do with a building society.

2867. Although you may not be a company, the transaction remains the same, whether it is done by a building society or by a company?—There have been several decisions to which I shall have occasion to refer, but the Joint Stock Companies Act of 1862, or any other Companies Act, does not apply to building societies properly constituted.

2868. Turning from that point, you said that in the early stages of building societies those loans were borrowed on promissory notes?—I believe that has been almost universally the case.

2869. Was the security considered to be the security of the society or the personal security of the directors?—It was considered to be a personal security; the notes were usually made in the form "We jointly and severally promise to pay."

2870. Were there any cases that you are aware of in the early stage of building societies, where the money was borrowed upon the security of the society?—I think not; I do not know of any.

2871. Do you consider that you have a general acquaintance with the origin and progress of building societies throughout the United Kingdom, or do you speak mainly on behalf of those societies with which you are connected?—I speak now generally on behalf of the societies throughout the United Kingdom; my experience extends over 25 years, particularly in



London; during that time I have been practically acquainted with their general working, and for the last two years I and my colleagues in the Association for the Protection of Building Societies have been in correspondence with most of the societies in England.

2872. When was the Fourth City Mutual Building and Investment Society founded?—In 1862; it was, as you will probably perceive by its title, one of a series.

2873. Had you any connexion with the earlier societies of the series?—I established the First City Mutual about 1852, the second about 1856, and the third in 1860. Each of those societies was fixed to terminate at the end of 10 years, whether the investors received all that they expected or not. The borrowers' payments were fixed and determined, and the societies all worked out satisfactorily. The borrowers have had their deeds and the investors have received their moneys; and I have here the balance sheets for the first year or two of the Second and Third City Mutual Societies, to show the proportion of loans we had in the first and second years to our share capital.

2874. Have all those societies now terminated?—Yes; the last one last year terminated within two days of the time at which it was expected to terminate.

2875. They were all of the second class of terminating societies which you have described?—Yes, they were terminating societies of a fixed period.

2876. Have you personal acquaintance with any permanent building societies?—My Fourth City Mutual is established on the permanent principle.

2877. Will you describe the origin of it and its nature?—Instead of going on establishing a series, as we had done hitherto, several of the same parties who had been in connexion with myself in the first, second, and third societies, met, and resolved that as the permanent system was more in favour with the public than the terminating, we would establish the Fourth City Mutual Society on that principle. In that society the investors either pay by periodical monthly instalments of 10s. or more per share, or may pay the whole amount of the share down. The amount of the share is 60*l.*, and when the principal and interest together amount to 60*l.*, the share remains as an investment, and the member receives interest upon it; instead of which, in the terminating societies, the members at the close of the society have to take the money whether they require it or not. In the borrower's case we found considerable difficulty in the terminating societies. After a society had been established two, three, or four years, the borrowers could only have the money for the remainder of the existing term of the society, and consequently it was inconvenient, especially to the working classes, to pay off the advances in the shorter period. By the permanent principle we are enabled to give to the borrowers the option as to the term which they will take for repayment. In some permanent societies they are allowed to have to the extent of 20 years. I personally do not approve of such a long period, and we have limited ours to 14 years, and the member makes his selection when he applies for the money as to the term of years which he will take for its repayment. That is one very important advantage in a permanent society; and then the many facilities which the investors enjoy are also considered to be great advantages.

2878. There is one advantage which the investors in a permanent society enjoy to which I do not think you have referred. Was not a difficulty of this nature found in the terminating societies, that after the society had been established for some years a member could not join as an investing member without paying up the amount of subscriptions, perhaps with interest, which had been paid by other members?—That was so. But usually in my societies the entrance of members was closed after two or three years. We practically declined to permit strangers to join,—hence the reason for having a series of societies. Many persons wishing to join could not pay up the back subscrip-

tions; and when we had been established some months we charged a considerable entrance fee, because new members came in to participate in advantages which had already accrued to the society; and therefore practically for investors the society was closed after two or three years, unless it so happened that the directors had more applications for money than it was convenient for them to supply, and in that case they continued to admit other members.

2879. Are you acquainted with any fixed terminating societies, if I may so call them, in which investors were admitted after the commencement of the society?—Yes, they were admitted usually for some time, until the directors, according to their experience, and according to the business which had been done, chose to shut them out.

2880. Then your three first building societies did not consist entirely of those members who joined them at their first origin, but also of those who joined afterwards; they were open for a certain time?—Yes. I have the two balance sheets here of the first and the second year, and they show the progress which was made during that time. We had received in the first year for subscriptions 5,484*l.* At the end of the second year we had received 10,937*l.*

2881. There is one point to which in your description of terminating or permanent societies you did not refer, but which I think ought to appear in your evidence, namely, as to the nature of the security given by advanced members in return for the advances which they receive?—The directors approve the security, and the security is the same in both cases.

2882. Of what nature is the security?—No money is lent except upon mortgage of freehold or leasehold property. I take it that a building society is not justified in making any other advance. If they do it, they do it outside their rules altogether. I find from correspondence with different parts of the country that they have now different classes of investing shares. In some parts they have what are called "deposit shares," and they have also "fully realised deposit shares," &c.

2883. Will you describe what those terms mean?—I have not had any experience of the working of them, but I believe that they are all different forms of taking deposits, and endeavours to class them under the head of shares, when they are properly only deposits.

2884. They do not exist in your society?—They do not. Then some of the permanent societies adopt different plans as to the advances,—some charge premiums for the advances, and others advance the actual amount of the share; but I take it that that is not very material as to the inquiry. I should like now to allude to another class of society, which is called the Bowkett, or the Starr-Bowkett society.

2885. Have you any personal knowledge of those societies?—No; only my general knowledge of the working of building societies. I have never been officially connected with any of them, but I am somewhat acquainted with their mode of working. They were first adopted by Dr. Bowkett, on the principle that every member was to be a borrower, and the money was to be lent without interest, and I think that on the first plan, some twenty years ago, or more, it was determined solely by ballot as to who should have the right of advance. Then the member who obtained the right had to find a security for 200*l.* or 300*l.* (the amount was usually limited to not exceeding 300*l.*). Having found a security, the advance would be made. But in addition to having this 300*l.* without interest, he was bound to take one or two investing shares, and to continue the payments on those shares until every member had been placed in the same position as himself. In some cases the society is calculated to extend to a period of some 25 years. More recently a Mr. Starr thought that he could improve on that plan, and he assisted in establishing a number of societies about the metropolis (his plan is mainly confined to the metropolis), and he has established a hundred or more societies which are called the Starr-Bowkett societies. There is not much difference in

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10 Mar. 1871.

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the mode of working, but in many of those societies they have what is called ballot or sale, usually alternately. In the ballot cases the money is advanced without premium. In the case of a sale the money is put up to auction amongst the members, a premium is given, and the premium goes to the funds of the society. The investors of course remain in, their money remaining without interest, until they can obtain a ballot, or until they give notice to withdraw, they lending their money without interest, and the borrowers receiving theirs without interest also.

2886. Has it ever been considered that that ballot partakes of the nature of a lottery?—I think that it has been so considered again and again, and I think that Mr. Tidd Pratt has given his opinion to that effect; but still it has gone on, and a large number of societies in the metropolis have adopted that plan.

2887. Have rules adopting the ballot been certified by Mr. Tidd Pratt?—I think so.

2888. Has the question been legally raised?—No, I think that there has been no legal decision. There have been cases in which Starr-Bowkett Societies have been before a court of law, but I do not think that that question has been raised. There is another class of societies, which are called land societies, which are registered as building societies. The first one in the metropolis was established some 22 or 23 years ago for political purposes, but it soon lost its political character, and became a commercial speculation. Those societies are usually enrolled as building societies, and they set forth their registered title, but are called freehold land societies. Instead of making advances as building societies usually do, they purchase estates. Originally they used to ballot for the right to draw, or the right to choose allotments, and those rights were exercised by the members as they pleased. That first society having been very successful, several other societies were established some time afterwards on the same principle, and they have all had their rules certified under the Building Societies' Act.

2889. Then I understand you to mean that societies of that description obtain the advantages and privileges which are conferred by the law upon building societies by being registered as such?—That is so.

2890. And then they adopt another title, and take up an entirely different kind of business as land societies?—Yes. Their rules do not allude to the purchase of such estates, although it is well known that they are established for the purpose of purchasing estates and allotting them.

(Mr. Warner.) And they change the title of the society, they being registered as permanent building societies.

2891. Are such proceedings legal?

(Mr. Higham.) It is not for us perhaps to give an opinion upon that point. There are some millions of money invested in societies established on that plan, and it is right that I should state that it was found by experience that the trustees incurred a very serious responsibility, because all the estates were taken in the names of certain persons who were trustees, and not in the name of the society, as they could not hold any land. Companies have since been established by some of the largest of these societies, and they have taken over the estates, and now the societies confine themselves simply to making advances to parties building and others, primarily on those particular estates.

2892. Are you acquainted with the decision of the Master of the Rolls in the case of the Prince of Wales' Mutual Benefit Building Society (*Grimes v. Harrison*), to the effect that such a proceeding as that to which you first referred is illegal?—I am not aware of that decision; but they have been gradually converting themselves into building societies, more strictly and properly.

2893. Probably that decision may have influenced them in altering their position?—It may have done so. The largest society in London changed its plan 14 or

15 years ago; the next largest only changed its plan during the last two years.

2894. Is there any other description of building society to which you can refer?—No, except that there have been building societies established for the purpose of carrying out what is generally supposed to be the real nature of a building society by those who have not had any experience in the working of them, that is to say, a society to build houses,—but in all cases, so far as I know, they have not succeeded. There have been societies which have bought a plot of ground and built a row, or a lot of houses, for the members to purchase at a fixed price, and for the society to advance the money upon them; but a very serious objection to that plan is, that the houses are known to belong to a particular society, and the members do not like to purchase them. Under the ordinary plan a house is mortgaged, and nobody knows anything of it. Most of the societies just referred to have been wound up. I am not aware of any which are now in existence.

(Mr. Warner.) There is the Suburban Society in the Loughborough Road, which is still in existence.

2895. (Mr. Bonham-Carter to Mr. Higham.) Do I rightly understand you that the objection to occupying those houses arose from the circumstance of their character being known, from the very fact of their being a set of houses?—Yes; and in London, out of 20 or 30 persons, two would not require the same description of house. The locality also would not suit all the members. In mining districts, and in a few parts of the country where men must live in a particular neighbourhood, and where they are all of one class, such societies may have been successfully carried out, but in London that plan is not at all applicable to the requirements of the working classes.

2896. (Chairman.) When was that description of society first started?—20 years ago there were two or three of them.

(Mr. Warner.) I know the case of a society of that kind which was established before the Building Societies Act was passed, but it was unsuccessful.

2897. What distinction do you draw between societies of that nature, and building societies proper, on behalf of which the Building Societies Acts were passed?—

(Mr. Higham.) The building societies proper have nothing to do with building; they simply make advances on buildings.

2898. Then your view of the original idea of a building society proper I take to be, that it makes advances to its members for the purpose of enabling them to build?—Or more particularly to purchase property already built. We try to discountenance parties going into speculations of building; we much prefer that they should see the property and purchase it. As an illustration, to-morrow I have to settle an advance to a workman on the Metropolitan railway; we are to lend him 360*l.*; he has bought a house for 420*l.*, and is to pay 60*l.* towards the purchase money.

2899. How do you suppose that the word "building" crept into the title of the building societies?—I have never been able to learn, except that they make advances on building. The Act of Parliament was brought in by Mr. Poulett Scrope and Mr. Thomson, but we have never been able to learn how that was. I have heard that such societies were established 50 or 60 years ago in the North of England upon a very small scale, but we have not been able to trace them.

2900. Have you the Act of the 6th and 7th William the 4th, Chapter 32, before you?—I have.

2901. Let me refer you to the first clause of that Act; it enacts, "That it shall and may be lawful for any "number of persons to form themselves into and "establish societies for the purpose of raising," by shares "a stock or fund for the purpose of enabling "each member thereof to receive out of the funds of "such society the amount or value of his or her share "or shares therein, to erect or purchase one or more "dwelling house or dwelling houses, or other real or "leasehold estate to be secured by way of mortgage "to such society until the amount or value of his or



"her shares shall have been fully repaid to such society with the interest thereon." Does not it seem as if the purchase of a dwelling house or dwelling houses was a primary object in the view of the legislature in passing these Acts of Parliament for the registration of these societies?—No doubt it was, but there have been many decisions in cases where that question has been raised, and it has been decided that it is not necessary that a man should have purchased the property,—that so long as he had the property mortgaged it was not necessary, according to the Act of Parliament, that he should have actually purchased it.

2902. The point which I am dwelling upon is as to the word "building," and not so much the question of purchasing a house which is already built, or of building a house upon a plot of ground which may be purchased for that purpose, but how far the word "building" forms an essential part of the title of these societies?—I shall have occasion to refer to that point more fully presently in some remarks which I shall have to lay before you from Sir Roundell Palmer, but the word is so far applicable, that we only advance upon buildings; we do not generally take personal or any other collateral security. There has been too much building about London, and it has been rather too much encouraged; but there are thousands of properties constantly changing hands, in and around the metropolis, and in all parts of the country, and we have facilitated those transactions most amazingly, and have enabled many persons to acquire property which they never otherwise could have thought of.

2903. By saying that you only advance upon buildings, you mean I presume that you only advance upon real property?—No, real property I take it is only freehold property; we advance upon leasehold, there are scarcely any freeholds in London to be obtained.

2904. You advance upon land or houses?—Scarcely ever upon land, because of its being unproductive. I have only perhaps one mortgage out of 200 upon land. We want the property to be bringing in something; and if a member comes to us and wishes to enter into an arrangement with regard to building we are very cautious indeed, and we caution him that he may get into difficulties; that if he thinks of building a house for 250*l.* he may find that it will cost him 300*l.*, and then he might be placed in an awkward position. When we have advanced money for building, we have sometimes had to advance more money than was at first applied for.

2905. Then with regard to your society, the word "building" is properly applied to it?—Clearly, and I take it that they are all building societies, except those which belong to the class of land societies to which I have referred; all others confine their operations strictly to buildings. If they do anything beyond that, I think they do not keep within their rules, and must take the consequences. I have a return here to show the advances which I have made in the three months from the 1st of October to the 31st of December, 1870. You will see from that return the amounts and the description of property (*delivering in the same*).

2906. This is a list, I see, of 17 advances, to the amount altogether of 6,770*l.*?—Yes.

2907. And in every case the description of property upon which the advance is made is house property?—Yes; that return shows the class of persons to whom the advances are made, and their occupations. With more than 20 years' experience, I do not think that I ever knew a working man, or a party who had not had experience, engage in a building transaction, without finding that the house cost him considerably more than he expected. We therefore do not encourage our members to build, and where there is an area, as round London, of seven or eight miles covered with houses, it is almost impossible for a working man to find a place that will suit him on which to build a house, as in most cases he must reside near to where he is employed.

2908. What are the expenses of management of your society?—The expenses of management are

something like 1,000*l.* a year. Our income is from 2,000*l.* to 2,500*l.* a week. It is a large and old established connexion.

2909. Have you any balance sheet which would show the items of expenditure?—I have not here. In many cases the secretaries, especially in the smaller societies, are employed in other capacities, and their secretaryship is merely an evening employment; but in large societies, having large sums of money invested in them, it is of course necessary that the secretaries should devote their whole time to the society's business, and it mainly devolves upon them to see that the moneys are properly invested, and the accounts properly kept, and they have great responsibilities.

2910. What does the 1,000*l.* to which you refer include?—Printing, advertisements, stationery, postages, and all expenses incidental to and connected with the working.

2911. What is the expenditure of the society in salaries?—About 600*l.* a year—700*l.* perhaps.

2912. Who are the paid officers?—Myself and four clerks.

2913. What do you receive?—I am paid a commission, according to the amount of business done.

2914. Is that commission, included in the 600*l.*?—Yes; I am paid by commission under an arrangement with the directors at the commencement of the society.

(*Mr. Warner.*) I may state that that is generally the way in which the secretaries are paid, namely, according to the results obtained.

(*Mr. Higham.*) In many of the large societies it is so.

2915. Out of that 600*l.* how much is paid to you, yourself and clerks?—All of it; or it is perhaps 700*l.*

2916. Have you any other paid officers of the society?—No; the secretary transacts all the business. He is the factotum in everything. I have brought for the information of the Commission the registers of two of my societies, the Third and Fourth City Mutual, from which may be seen the class of members.

2917. Are there any other paid officers?—No; the directors are paid such sum as the members may vote annually.

2918. What sum is annually voted to the directors?—Last year it was 250*l.* We have now nine directors, who attend every week, and pay great attention to the interests of the society.

2919. Does the sum voted depend upon their attendance?—It depends upon the general statement laid before the shareholders as to the business done. The amount voted has been in my society progressive; it was first 150*l.*, and then the members increased it to 200*l.*, and last year they increased it to 250*l.* My paid-up capital is 100,000*l.*, besides 30,000*l.* or 40,000*l.* deposits.

(*Mr. Warner.*) In many societies, and in my own, the directors have a fixed sum voted, which is apportioned to them according to their attendance.

(*Mr. Higham.*) That is so in my case; it is divided pro rata.

2920. Have you a paid treasurer?—No.

2921. Have you a paid solicitor?—He is paid, not by the society, but by the borrowers, at a fixed scale for the business done. Fortunately, I have never had a solicitor's bill for my society.

2922. Can you give any average of the payments per annum to the solicitor?—No; I am not prepared to do that; but I should think that our solicitor gets 500*l.* a year.

2923. Do you remember what he received last year?—No; that would not come within my knowledge, because the costs are not paid by the society. I merely imagine, from the nature of the transactions, that the amount would average as much as that.

2924. Who pays the charges?—The borrowers pay them.

(*Mr. Warner.*) In our society we pay those mortgage expenses. The solicitor has to execute all assignments, at a fixed charge of four guineas, exclusive of stamps, and our charges are according to

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10 Mar. 1871.

*Mr. J. Higham,*  
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a scale which is in the rules, commencing at three guineas for 100*l.*, and so on, and half a guinea for each 50*l.* further advanced. A mortgage of 300*l.* generally comes to about 6*l.*, which the society pays. We paid our solicitor last year, on advances of about 10,000*l.*, about 115*l.*

10 Mar. 1871.

(*Mr. Higham.*) The difference is this, that in Mr. Warner's case those charges are included in the calculations for repayment, and my calculations are made without including them.

2925. Have you any fixed scale of charges or your solicitor?—Yes; four guineas for a mortgage, which is the usual charge; it is to our interest to keep down the solicitor's costs, and the directors are very vigilant upon that point. We find that the costs are increased, in Middlesex particularly, by the registry office, but we shall have occasion to refer to that matter presently.

2926. Have you a paid surveyor?—No; in our case we have not. My directors have all been connected with building societies for more than 20 years. I think the whole of the nine have been so, and they have acquired property through societies, and have had great experience, and they and their friends are very largely interested in the society. Two of them view all the properties which are offered as security; and if they consider it necessary, they would call in a professional surveyor.

2927. Are they always the same two directors?—No; two directors who are acquainted with property in the particular neighbourhood go to view the proposed security.

2928. I suppose that the payment to the directors for that service is included in the 250*l.*?—No; that is in addition. They are paid a small fee for the survey. If we do not make the advance, it is a very small amount; but we never enter an application if it is probable that we shall not advance the money.

2929. What do you imagine that the directors obtain yearly from that source?—Perhaps 10*l.* a year each. They get about 7*s.* 6*d.* each for each survey, and they take a great deal of trouble, not only in ascertaining the value of the property, but also in considering whether the purchase is a desirable one for the member. In one of my last advances, the party had offered to give 50*l.* more for the property than he afterwards purchased it for, and we saved him that sum.

2930. Does that 90*l.* come from the funds of the society?—No; each borrower when an advance is made pays 15*s.*, if it is a survey in the immediate vicinity of the metropolis; if it is a little way out he may pay 17*s.*

2931. What sum does that amount to yearly?—In every case of survey, a guinea is paid for the survey committee of three, and the surveyor is paid not less than a guinea upon the first 100*l.*, and then 5*s.* for every 50*l.*; generally the average which the surveyor would receive on a mortgage would be about a guinea and a half; that would be a very good average for our class of mortgage.

2932. (*To Mr. Warner.*) With reference to the surveyor, is the practice of your society the same?—Not exactly; we have a survey committee of three members, and we have a surveyor as well. The three members view the property as to locality and general appearance, and make inquiries as to the member; the surveyor surveys the bricks and mortar, and reports, and we judge from the two reports; but we pay those charges entirely.

2933. What sum does that amount to yearly?—In every case of survey, a guinea is paid for the survey committee of three, and the surveyor is paid not less than a guinea upon the first 100*l.*, and then 5*s.* for every 50*l.*; generally the average which the surveyor would receive on a mortgage would be about a guinea and a half; that would be a very good average for our class of mortgage.

2934. What did the society pay on account of surveying during the past year?—The surveyor had 36*l.* Then I may state that if we make any further advance, having had the property once in the society, we never send a surveyor a second time.

2935. That 36*l.* did not include all the charges for surveying?—It included all the surveyor's charges.

2936. Taking the survey committee and the surveyor together, what did your society pay last year

for that purpose?—47*l.*, I think, to the survey committee, of which the members paid some portion, 18*l.*; if any advance is made under 100*l.* they pay the charges. When it is refused (which cases are very few) the members have to pay the survey charges. I think that ours is an exceptional society in the payment of the charges on mortgages.

(*Mr. Higham.*) It is rather exceptional.

2937. (*Mr. Bonham-Carter.*) In the cases which were refused, were they refused because the building did not afford you sufficient security for the particular sum which the borrower wanted to have upon it?—In my case we take two or three matters into consideration. One important matter is, whether it is a judicious speculation; we do not encourage a member with an income of 30*s.* a week to incur a heavy liability for payment, and although the same transaction might suit a person in a better position, we should decline to lend the money under the circumstances first mentioned. Then we consider whether he is going to occupy the house, and the whole of the circumstances, and we determine whether the transaction is likely to answer his purpose, and consequently whether it is a proper advance for us to make.

2938. What proportion of the estimated value do you generally consider the most that you can advance?—We expect a person to pay something like 20 per cent. The case which I previously spoke of was that of a carpenter upon the Metropolitan Railway; he is to give 420*l.* for the house, and we lend him 360*l.*, but then he is going to occupy it; he is in permanent employment; he resides in a similar house for which he pays rent; he will only have to pay us 5*l.* or 6*l.* per annum more than he now pays for rent, and therefore we look at it as a judicious purchase, and lend him six sevenths of the money.

2939. Then, taking the ordinary proportion of the value of a freehold house which is advanced upon mortgage to strangers to be two-thirds, you consider yourselves able to advance a larger proportion?—Yes, because we get our monthly repayments directly. If a man has an advance on the 25th of March, he begins paying in April, whereas with a permanent mortgage he merely pays the interest.

2940. Do you occasionally reject a house because it is not sufficiently valuable to cover the advance, or do you offer to advance so much, which is not as much as the man wants?—In some cases we say, we cannot lend you the amount you have applied for, but we will lend you so much less; in other cases, if a member told me when he made the application that 40*l.* or 50*l.* was as much as he had at command, we should not lend him the money, if we could not advance the amount applied for, because it might lead him into difficulties, consequently we should not offer to advance a less amount.

(*Mr. Warner.*) And I think that I may state that the reason why so few applications are refused in building societies is, that the secretaries use great discretion in taking the application. I do so myself, and I presume that Mr. Higham does. We first sift the matter to see whether it is such an advance as the directors would be likely to make, otherwise we do not advise the applicant to go further. In our society, in many cases, we have advanced the full value; we do it in this way: we take some person as security for the payment, jointly with the man himself, of so many months' subscriptions, because our liability is decreasing month by month, and we consider that in 12 months the liability has so much decreased that we can then release the collateral security.

2941. (*Chairman, to Mr. Higham.*) I was upon the question of the expenses of management. We have from you, as I understood you, the sum of 1,000*l.* a year for printing and other expenses of the sort, and 700*l.* a year for secretary and clerks?—The 700*l.* is included in the 1,000*l.*

2942. There are then two items of 250*l.*, and 90*l.* as payments to the directors?—That is so.

2943. And there is the sum of 500*l.* a year as payment to the solicitor; but that does not come from



the funds of the society?—Not from the funds of the society.

2944. Then the payments by your society to its officers for their salaries and for management, amount altogether to 1,340*l.* a year?—No, the 90*l.* certainly does not belong to that class of expense; the 250*l.* may be said to belong to the cost of management. I have here a copy of the rules, in which it is provided that the members shall, if they please, vote such sum as they consider the directors entitled to year by year.

2945. We have now the payments to your officers and for management. What are the annual receipts of your society?—Last year we received 120,000*l.*

2946. Is that to be taken as the regular income of the society?—No; because we hope and expect that that amount will go on progressing with successful management. I have here a tabular statement which we publish, showing our progress year by year.

2947. Your income, in fact, varies with the progress of the society?—Yes; it goes on increasing year by year, and that is so with all well managed societies.

(*Mr. Warner.*) It is the same in all.

2948. (*To Mr. Warner.*) What is the income of the Sun Permanent Building Society?—Last year it was 36,000*l.*; we are not a large society.

2949. What is your expenditure for management?—From three to four per cent. upon the amount of business done; between 300*l.* and 400*l.* last year.

2950. What does that sum, of from 300*l.* to 400*l.* a year, include?—The whole of the expenses of the society, except the mortgage charges; the mortgage charges are kept as a separate item, and are deducted from the amount returned.

2951. Of what items is that sum of between 300*l.* and 400*l.* composed?—Rent of offices, directors' fees, secretary's salary, secretary's assistant's salary, auditor's fees, printing, stationery, accounts, postage, and sundries.

2952. Then that includes the whole expenditure of the society in management, excepting the items which you have given before, and which are regulated by a certain per-centage, namely, the mortgage and surveying expenses?—Yes. The directors are paid the same as in Mr. Higham's case, an amount voted by the shareholders at the annual meeting. The secretary receives an amount in accordance with the number of shares taken, and the amount of business done. The auditors receive an amount voted by the annual meeting, and the other expenditure is regulated by the directors.

2953. (*To Mr. Higham.*) Are the rules of your society certified?—They are.

2954. Does your society possess a power to borrow?—It does now, but it did not prior to last November; we then made a rule giving us the power.

2955. (*To Mr. Warner.*) Are the rules of your society certified?—Yes.

2956. Do they give the power to borrow?—Yes; and it was in this way. At the end of 1853 they were submitted to Mr. Tidd Pratt, and he struck out the power to borrow then; and they were submitted to him again for alteration, and this clause was put in, and was then passed by him.

2957. (*Mr. Bonham-Carter.*) Without comment?—Yes, some three years afterwards. We have had the power to borrow for 14 years.

(*Mr. Higham.*) It may be perhaps information to the Commission to say that the late revising barrister objected definitively to certify rules giving borrowing powers in the year 1857. From that time he has refused to grant borrowing powers; but we know of many rules which have since been passed which have the power. I was one of a deputation who waited upon him in that year to discuss the question with him.

2958. (*Chairman.*) Do the rules of either of your societies limit the borrowing powers of the society in any way?—The rule which was certified last November by the present barrister is in accordance with the decision in *Laing v. Reed*, limiting the amount

to two-thirds of the amount advanced; that is the only rule which the barrister will now certify.

2959. What is the rule?—It is the eighth rule. "The directors may receive money on loan whenever it may be necessary for the purposes of the society, and they may repay any such amounts out of the funds of the society, with interest thereon and all expenses incident thereto, provided such loans shall not at any time exceed two-thirds of the amount then secured to the society by mortgage."

2960. (*To Mr. Warner.*) Have you a rule to the same effect as to the limit of the borrowing power?—No, there is no little. We find in the practical working of the society that it does not require a limit. We only borrow that money which we can legitimately use. Our borrowed capital is 15,000*l.* beyond the share capital, upon a total of advances of 65,000*l.*

2961. What is your share capital?—31,000*l.* paid up, and about 46,000*l.* is the balance of the advances due. 15,000*l.* of that is borrowed capital from the bankers, or on deposit. 9,000*l.* on deposit, and 6,000*l.* from the bankers.

(*Mr. Higham.*) Perhaps I may be permitted to furnish the Commission with information which I have here from the principal societies throughout the kingdom with reference to that matter. I should like to call attention particularly to the London societies. I may say by way of preface that the returns do not include those societies which we may for this purpose call land societies;—I am speaking of the National Freehold Land Society and the Conservative Land Society, which was established on the same model; they have now about 2,000,000*l.* of money, and they are not included in these returns, but for all practical purposes they are under the Act. These returns were obtained in the middle of last year, and I find that as far as we have them there were 52,000 members in round numbers, and that the amount received during the last financial year was 3,450,000*l.*, the amount to the credit of investing members 2,516,000*l.*, and the balance due upon loans and deposits 1,515,000*l.* The balance due on advances upon mortgage was 3,911,000*l.* The total assets of the societies were 4,217,000*l.*

2962. Those are societies, I suppose, of the different descriptions to which you have referred?—They do not include any of the Starr-Bowkett Societies; their income is usually small, and as they make scarcely any profit, they have not subscribed to our association.

2963. But you have included the terminating societies of both kinds, as well as the permanent societies?—Yes; but there are scarcely any terminating societies left in London. We sent to every society we know of, and these returns may be relied upon, as they are signed by the secretaries.

(*Mr. Warner.*) It does not include the whole of the societies in London.

(*Mr. Higham.*) No; we have no means of communicating with some of the societies, as their meetings are held in the evening, and they have no offices, but merely a subscription room for their monthly meetings.

2964. You can give us, I suppose, no information as to the number of building societies in the United Kingdom?—I cannot give precise information. I should estimate the number at something over 2,000 in England. There are but few in Scotland.

2965. I said the "United Kingdom," because early in your evidence you said, I think, that you could speak on general points for the United Kingdom?—I rather meant England. I have very little correspondence with Ireland. I have returns also of societies from other principal towns which I should be happy to hand to the Commission, vouched for in the same manner. We find, for instance, that in Birmingham, according to the returns which we have, there were 10,532 members, that the amount received during the last financial year was 144,635*l.*, the amount to the credit of investing members 222,142*l.*, the balance due on loans and deposits 89,284*l.*, the advances due on mortgage 332,700*l.*, and the total assets 354,371*l.* These returns will disclose the fact that whilst some of the societies have a very small amount of borrowed capital, some have

*Mr. J. Higham,  
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10 Mar. 1871.

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10 Mar. 1871.

as much as four times the amount which they have received from investing members, and some even more. In one society at Cardiff, with 3,860*l.* to the credit of the investing members, the loans and deposits are 8,396*l.*

2966. Do you mean that different societies differ in their practice upon that point?—Yes. In Newcastle and that district, nearly all the capital of the societies consists of loans and deposits, and they do not care to encourage share capital; and a member of Parliament told me only last session that he held deposit shares in a society, but that he was simply a depositor, and knew nothing more about it. I ventured to tell him that if the word "share" was attached he became a shareholder. But all this arises from the confusion as to the state of the law, to which, if permitted, I will call your special attention. In the neighbourhood of Newcastle the amount to the credit of investing members is 106,000*l.*, and the balance due on loans and deposits is 52,400*l.*

2967. Those societies have entirely lost the character of building societies?—No; they have just as much the character of building societies as we have. As far as I know they advance money upon the same plan; they only receive their capital in a different way. There is one society with 28,998*l.* as the amount credited to investing members, and 213,146*l.* on loans and deposits. There is another society with 6,918*l.* as the amount credited to investing members, and 76,281*l.* loans and deposits, so that nearly all their working capital is held on loans and deposits. Some of it may be received for a period of one, two, or three years. Some societies take money for a lengthened period, and allow parties to withdraw it at the end of that time. There is another society in which the amount credited to investing members is 2,297*l.*, and there is 39,700*l.* on loans and deposits.

(*Mr. Warner.*) But possibly some of these societies may be terminating societies. Terminating societies as a rule borrow largely at the commencement of the society, because all the business is done principally at the commencement. That may account for a large amount of borrowed capital.

(*Mr. Higham.*) Still it is a fact notwithstanding.

2968. Can you give us the names of those societies?—I will furnish you with the list which I have here.

2969. Out of the 2,000 building societies which are estimated to exist in England, how many do you consider are in this position?—We have no means of ascertaining correctly. Until we were in communication on the subject of our proposed bill, we did not know of many of those societies, and many have declined to make a return, because, perhaps, they did not want their position to be accurately known.

2970. What is the proportion of societies who refused to make a return?—I could not say; but certainly we could not have had returns from half.

2971. I must ask you again a question which I put to you before. Have not these societies departed from the original character of building societies?—I think not at all.

2972. Is not this the original character of building societies, that from the subscriptions made by the members sums of money should be laid out in the purchase of land, or buildings, which are then mortgaged to the society?—The societies do not purchase land or buildings, but make advances to the members to enable them to do so.

2973. Should not you gather from the decision in the case of *Laing v. Reed*, that the amount borrowed should be limited to the amount of the prospective contributions of the members?—I gather from that case that the loans must be according to the amount advanced, and that is very expansive. I have a table here which I will lay before you, which shows that if 10,000*l.* have been advanced, under that rule power is given to borrow nearly 20,000*l.*, because the money which you have borrowed you may lend out again. 10,000*l.* is the assumed capital; then you may borrow 66,66*l.*; that you may lend out again, and having lent it out, it gives you a further borrowing

power of 4,444*l.*, and again that will give you 2,962*l.*; that gives you a further amount; so that you eventually get power to borrow 19,000*l.*, making with the first 10,000*l.*, 29,000*l.*

2974. You have stated that sometimes, in the origin of building societies, sums were borrowed upon promissory notes, on the personal security of the directors?—Yes.

2975. Has any alteration taken place in that matter?—What we have as loans are borrowed in the same form, because bankers have declined to lend without the personal security of the directors, but we also take deposits, and they are now received by many societies upon a very large scale, and those are in many cases merely entered in a pass-book, the same as subscriptions would be. Some societies give a certificate signed by three of the directors,—not a promise to pay, but merely an acknowledgment of the money,—which states that the money will be paid at 14 days' or a month's notice, as the case may be. In my society we give deposit pass-books; a person pays in 10*l.* or 15*l.*, or any amount, and we enter it in a book. We do not receive deposits payable under 14 days' notice. Some societies receive deposits payable upon less notice; the majority of the societies require 14 days' notice, and some a month. Those sums are entered in a pass-book, 5*l.*, 10*l.*, or 100*l.* or any amount, and as the repayments are made, they are also entered in the pass-book.

2976. When was that practice originated?—It has been in use for 14 or 15 years, but it was formerly on a very small scale compared with what it is now, because building societies had no facilities for transacting that kind of business. In my terminating societies we had no place of business. The directors only met once a month to receive subscriptions; but when societies have offices the business goes on accumulating, and there are now at least 50 societies in London which have regular offices, and receive money daily.

2977. May I take it that that practice has so grown up since the origin of building societies as to have now become their principal business?—Certainly not, their principal business is making advances. Many societies have materially reduced their rate of interest, because they want to check the receipt of deposits. They vary their amount of interest according to the demand which they have for their money.

2978. What is the security on which those loans on deposit are advanced?—In some societies the rules provide for receiving deposits, and then the depositors have the security of all the assets of the society. We tell them that nothing can possibly be safer, because a benefit building society such as ours incurs no risks. We do not speculate, and we feel that nothing can be more secure. Therefore, in my case, having 110,000*l.* or perhaps 120,000*l.* of paid up capital, that is the security to the depositors. My deposits are about 30,000*l.*

2979. Are the shareholders liable beyond their shares?—No. The only thing which could possibly occur to the shareholders would be a deficiency in the realization of the assets (there are no debts), and that would of course diminish the amount of capital which would be divisible among the investing members in the event of winding up.

2980. Supposing such a case to occur as to require it, would the shareholders be liable beyond their shares?—I believe that they have been held to be liable, and we propose to put a clause in our bill to limit the liability to the amount of the shares. There have been two or three cases in which the shareholders have been held to be liable.

2981. In some of the cases of societies which you have pointed out, the number of shareholders, and the amount held in shares, bear no proportion whatever to the deposits?—None whatever.

2982. In those cases is there not considerable danger to the shareholders?—I take it that the depositors must be perfectly satisfied. In most cases they know at least some of the directors personally. It is the same



as depositing money at a private bank; you must have confidence in it. Perhaps the Commission will allow me to speak as to the class of my members. My society may be taken as being rather above the ordinary average, and I would like the Commission to glance at the register which I have of two societies, namely, the Third and Fourth City Mutual Building Societies, so as to see the occupations of the members who constitute the societies. I have more perhaps of what may be termed the tradesman class than a good many.

2983. In all the three societies which have been closed, I may take it that the class of members are rather above the working classes?—Yes, some of them are, but a large proportion belong to the working classes.

2984. What is the rate of interest which the borrowing members have to pay upon their loans in your society?—Four per cent. on the gross amount advanced. My tables are all calculated on that basis. We get the repayments by monthly instalments, which really brings it to about eight per cent. calculated month by month, for which of course we have the trouble of taking the money by instalments.

(*Mr. Warner.*) At the conclusion of a mortgage in our society, the members have paid from  $7\frac{3}{4}$  to 8 per cent., calculated month by month.

(*Mr. Higham.*) If we lend a man 60*l.* for 10 years, he pays back 14*s.* per month, that is, in 10 years 84*l.*, or 4 per cent. on 60*l.* for a period of 10 years, and that is about the rate all through the metropolis; in some cases it is a little more, and in some a little less.

2985. What is the rate of fine which any defaulter has to pay?—The fines are rather heavy, and we are obliged to keep them heavy in the interest of the shareholders, because if they were lower it would lead to laxity of payments, and with the working classes it is very important that there should be a sufficient penalty to induce them to keep up their payments regularly; and for that reason we charge 4*d.* on 14*s.* a month.

2986. What per-centage does that amount to?—It is about 20 per cent. on the amount. On the old Liverpool principle we used to charge three times as much; but we have reduced it now to what we find by experience makes it a sufficient penalty. If a member has 3*l.* 10*s.* to pay, the fine for non-payment is 1*s.* 8*d.*; and it would not do to charge less, because if from any cause he neglected to pay, he might find a difficulty afterwards in making up two or three months' payments.

2987. Would 20 per cent. be a fair average to take for the London societies?—Yes, I think so.

2988. (*To Mr. Warner.*) Is that your opinion?—I think that rather over that amount would be a fair average. I find that some societies approach towards 40 per cent. Ours is about 30 per cent.

2989. (*To Mr. Higham.*) What is the highest per-centage which fines have reached within your knowledge?—Sixpence for 10*s.*, 5*s.* or 60 per cent.; but the directors found that the charge was so excessive that they could not always enforce it. I had a case this morning where a man had incurred 7*l.* or 8*l.* in fines. In that case, although it is against the rules, the directors will take upon themselves the responsibility of reducing the amount.

2990. You do not know of any case higher than that?—Not now. All the managers of the large societies now have had about 20 years' experience, and we have found out what is best in the interest, not only of the investors, but of the borrowers themselves. We study their interests, because they are the main element in the society.

2991. (*To Mr. Warner.*) Do you know any cases where the fine has been higher than that?—No; the highest case which I know of was 40 per cent. I may state that our directors consider that the 30 per cent. is rather high, and we have it under consideration to reduce it a trifle. Generally the directors hold to enforcing rather a heavy fine.

2992. Taking the per-centage of 40 per cent. and 26867,

60 per cent., of which you have been speaking, what is it upon?—

(*Mr. Higham.*) Upon the payment itself; that is to say, if the payment is 14*s.*, I charge 4*d.*

2993. If 14*s.* is in arrear, a certain per-centage is charged on that as a fine?—Yes.

(*Mr. Warner.*) We charge 6*d.* on every 1*l.* in arrear.

(*Mr. Higham.*) It is most important for the investors as well as for the borrowers to keep up the fines, so as to induce regular payments. I have many members who are now in good position through commencing to save 10*s.* or 1*l.* a month in a building society.

2994. How are these payments made; are they made through collectors?—No, they are usually made at the office. So far as I am aware, only one important society in London has agents. The offices are open daily.

(*Mr. Warner.*) We have one monthly evening to receive the payments, and the shareholders bring their amounts on that evening.

2995. Do you find any difficulty in that mode of payment?—None.

(*Mr. Higham.*) It is one of the advantages of permanent societies over terminating societies that the office is open every day. In the former societies a man was bound to pay between 6 and 8 o'clock in the evening; but now we give them seven days' grace. Our transactions being rather extensive, we could not very well take the money all in one day; it suits our purpose better to give that time, and it is a convenience to the members.

2996. Supposing that a man fails in his repayments, and fails also in the payment of the fines, what process is then adopted?—We either sue the man, or take the property. If we feel that the man has been unfortunate, we take the property, and he is entitled to any surplus which may remain after satisfaction of our claim.

2997. Have any cases occurred within your knowledge where that power of foreclosure has been exercised?—Yes.

2998. What number?—Perhaps I have had 30 or 40 during my experience.

2999. Have those cases of foreclosure occurred among the working classes more than among the higher class of your members?—No, not more; it is principally in the case of builders. In nine cases out of 10, if we have to take the property, it is where we have made advances more strictly within the Act to assist in building. For the last two years there has been a general depression in all the suburban property. If a man is not receiving his rents, and has incurred an expense of 30*l.* or 40*l.* more than he expected, we are sometimes compelled to take to the property. But in such a case as one which I have to settle to-morrow, where the member has purchased a house already built, and intends to occupy it, we scarcely ever incur a loss. It is when we encourage and assist members in the erection of houses, that they and we occasionally suffer loss.

3000. Have the rates of repayment which your society has adopted been verified by an actuary?—No, they are my own calculations, and I never had them questioned; I am responsible for them.

3001. (*To Mr. Warner.*) Is that the case in your society?—We are rather exceptional: we were on Snow Hill, on the site of the Holborn viaduct; our premises were required for the improvement, and we had to dispute the matter of compensation with the city. We had Messrs. Chatteris and Nichols, the accountants, instructed by the city, to investigate my accounts, and we were compelled in our own defence to employ Messrs. Kemp, Cannon, and Company, those firms being two of the largest firms in the city. They were six months in going through our accounts; they entirely verified the repayments and the sales and everything in the society; proving that the basis upon which the society had been established was perfectly according to what had been represented.

(*Mr. Higham.*) My first, second, and third societies

*Mr. J. Higham,  
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10 Mar. 1871.

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were established on calculations of my own, and they worked out very satisfactorily, and the members gave me a service of plate.

3002. (*Chairman to Mr. Hoare.*) You are secretary of the First Imperial, Cavendish, and Cavendish Permanent Building Societies?—Yes; in the two former we had no settled rate of repayment, and being strictly terminable societies, the rate of interest paid by a member would be settled by a directors' meeting prior to it. The basis is 5*l.* per cent.

3003. Then yours is a higher rate than that adopted by Mr. Higham?—Yes; in the permanent society with which I am connected there is, as in all permanent societies, a fixed specified rate published, which is impossible in terminating societies.

3004. In the case of the permanent society, has it ever been verified by an actuary?—I do not know.

3005. (*To Mr. Baynes.*) What society do you represent?—The Monarch Building Society.

3006. Have your tables been verified by an actuary?—They have.

3007. We will proceed to the consideration of the law relating to building societies. Under what Act of Parliament are building societies at present placed?—

(*Mr. Higham.*) The 6th and 7th William the Fourth, chapter 32, and with that are incorporated the 10th George the Fourth, chapter 56, and the 4th and 5th William the Fourth, chapter 40, so far as the same may be applicable to the purposes of the society.

3008. Will you shortly state the privileges which that Act confers upon building societies?—The Act of the 6th and 7th William the Fourth confers the right to make advances, which it has been decided may include advances to persons either then in possession of property or purchasing property. It gives us the advantage of exemption from stamp duties on all documents. It gives us the power to settle disputes by arbitration, and several other minor points. It limits the liabilities of trustees, and several other things which we think are more or less important, but the difficulty which we now have is to determine what is left of those Acts of Parliament, so far as they appertain to building societies.

3009. It provides a punishment for any fraud against the societies by their officers?—Yes; it also gives a right to the society to claim a preference over other creditors in the event of fraud, or default on the part of the officers, to which I may have occasion further to allude presently. The question is how far these several clauses in the 10th George the Fourth, chapter 56, and in the 4th and 5th William the Fourth, chapter 40, are applicable, and we are left to determine it for ourselves, except so far as there may have been legal decisions affecting them.

3010. The present law compels registration of the societies, does it not?—I think that I shall be able to show that there is no law at all for registration, that it has all been accidentally repealed. I should like in the first place to inform you that section 4 of the 10th George the Fourth, chapter 56, and also section 7, so far as relates to rules being confirmed by justices and filed by the clerk of the peace, were repealed by the 3rd section of the 4th and 5th William the Fourth, chapter 40, that being a statute prior to ours—consequently we have only the 4th and 5th William the Fourth to go to, as far as regards the alteration of the rules. Section 3 is, "And be it further enacted, that 'so much of the said recited Act' (that is the 10th George the Fourth, chapter 56), 'as relates to the 'rules of friendly societies being transmitted to the 'barrister or advocate, and deposited with the clerk 'of the peace and certified by him, as well as so 'much as relates to alterations of rules being cer- 'tified by the clerk of the peace, and that no rule 'or alteration or amendment should be binding until 'confirmed by the justices, and filed under the recited 'Act, shall be and the same are hereby repealed."

3011. What does the 4th and 5th William the Fourth, chapter 40, provide in place of that?—It provides in section 4 another mode of registration. It enacts "That two transcripts fairly written on

"paper or parchment of all rules made in pursuance of the said recited Act or this Act, signed by three members, and countersigned by the clerk or secretary (accompanied, in the case of an alteration or amendment of rules, with an affidavit of the clerk or secretary, or one of the officers of the said society, that the provisions of the said recited Act, or of the Act under which the rules of the society may have been enrolled, have been duly complied with), with all convenient speed after the same shall be made, altered, or amended, and so from time to time after every making, altering, or amending thereof, shall be submitted, in England and Wales, and Berwick-upon-Tweed, to the barrister-at-law for the time being appointed to certify the rules of savings banks, and in Scotland to the Lord Advocate or any deputy appointed by him for that purpose, and in Ireland to such barrister as may be appointed by His Majesty's Attorney-General in Ireland, for the purpose of ascertaining whether the said rules of such society, or alteration or amendment thereof, are calculated to carry into effect the intention of the parties framing such rules, alterations, or amendments, and are in conformity to law, and to the provisions of the said recited Act or this Act." It provides afterwards that one transcript is to be returned to the society, and the other to be sent to the clerk of the peace. That was the state of the law when the 6th and 7th William the Fourth was passed. But I will call your attention to the Act of the 9th and 10th Victoria, chapter 27; that Act repeals the 10th George the Fourth, chapter 56, which had been previously repealed by section 3 of the 4th and 5th William the Fourth, chapter 40.

3012. (*Mr. Roundell.*) By which section?—Section 12. And there is another mode of registration prescribed, and here the question will hinge very much upon whether or not it includes the 6th and 7th William the Fourth. It is provided by the 12th section, "That 'so much of the said Act of King George the Fourth' (already repealed by the 4th and 5th William the Fourth) 'as requires that a transcript of the rules of any society established under that Act, or to which the 'provisions of that Act have been extended and 'made applicable,' (by the 6th and 7th William the Fourth, that Act was made applicable to building societies), 'shall be deposited with or filed by the clerk 'of the peace of any county, riding, or division of a county in England, and a certificate thereof returned to the society, and that the same shall be laid before and allowed and confirmed by the justices at any session of the peace, shall be repealed; and that all transcripts of such rules which are now filed with the rolls of the sessions of the peace in any county, riding, or division of a county, shall be taken off the file and returned to the said registrar." So that the distinction there is that, instead of sending a copy to the clerk of the peace, the barrister is to keep a copy, and I have evidence here that upon that view of the law, the barrister acted for four years. It happened that I had to submit some alterations of the rules to the revising barrister in the year 1846, and you will observe that this Act of Parliament is dated the 3rd of July 1846. I have here a copy of an alteration of the rules, to which the barrister affixed his signature, and put the words "copy kept," dated 8th September 1846, just after the passing of the Act. I take this to be important, because I imagine that this Act of Parliament would not have been passed without the barrister's knowledge, and without perhaps consultation with the department which is particularly affected; and therefore, the Act being passed in July 1846, the view of the department and the view of Mr. Tidd Pratt was that it applied to building societies, and he certified accordingly; he merely says, "copy kept." But I happen to have one dated the 24th of July 1847, and there he says, "copy kept, 9th and 10th Victoria, chapter 27, section 12," quoting the particular section to which I refer. Again, I have another certificate dated the 6th of June 1849, where the same form is adopted; and I have another dated



1847. Afterwards an Act of Parliament was passed, namely, the 13th and 14th Victoria, chapter 115, relating to friendly societies.

3013. Is it not the effect of the present state of the law, arising from the statutes which you have quoted, that in England the registrar requires two transcripts of the rules, and sends one certified transcript to the clerk of the peace, and returns the other to the society; that in Scotland the registrar requires two copies, one of which he retains, and the other he returns to the society; and that in Ireland the registrar requires three transcripts, one of which he sends to the clerk of the peace, the second he retains himself, and the third he returns to the society?—I believe it is. My impression is that the registrar who keeps the copy acts in accordance with the present law, and that in England the rules are not properly certified.

3014. But the effect of legislation to your knowledge has been that there is a different practice with regard to registration in each of the three kingdoms?—I am aware that they adopt a different practice, although they are all under the same law.

3015. Will you state the effect upon your society of the course which the registrar in England has taken under this portion of the law?—He, after adopting for four years the view that the 9th and 10th Victoria, chapter 27, was the law, on the passing of the 13th and 14th Victoria, chapter 115, went back to the 6th and 7th William the Fourth, as if the Act of the 9th and 10th Victoria had never been passed. I have a certificate by Mr. Tidd Pratt, dated the 15th of September 1850, in which he says, "Copy sent to the 'Clerk of the Peace.'" Now the 13th and 14th Victoria was passed 15th August 1850, and repealed the 9th and 10th Victoria, and from that time we have had no proper registration at all, simply from mixing up these several Acts in this, which I may venture to call jumbled manner; and which has been very severely commented upon by the various judges at different times.

3016. Then the effect of the practice of the registrar is, that your society may not be considered to have proper rules?—Yes, and all societies enrolled since 1850. As the three registrars differ in opinion, two must be wrong, and although it seems a very hard thing that we should suffer, it is the fact that unless our rules are properly certified, they are not rules at all. Therefore this Act of the 13th and 14th Victoria is very important, because it repeals the 9th and 10th Victoria; it repeals the one which I formerly quoted, the one on which Mr. Tidd Pratt acted for four years, and leaves building societies without any registration at all.

3017. Do any one of the other gentlemen present wish to state anything as to the effect of the action of the registrar upon their societies?

(*Mr. Warner.*) In reference to my society, Mr. Tidd Pratt has certified, "Copy sent to the Clerk of the 'Peace,'" and if that is so, according to the reading of this law, my society is an unregistered society at the present time, although it has been in existence for 17 years.

3018. Then your evidence agrees with that of Mr. Higham?—Yes.

3019. (*To Mr. Hoare.*) What is the case in your societies?—I believe that in all my societies a copy of the rules was sent to the clerk of the peace, but it was at a period subsequent to the period which these gentlemen have been discussing. My earliest society does not date more than nine years back. I may remark that I think the registration must have been conducted in a peculiar way, for this reason, that similar copies of the rules have been sent up from these societies, merely altering the name of the society. No. 1 was sent up and certified; No. 2 was sent up, and several clauses were struck out; No. 3 was reprinted, and was certified. I specially refer to a clause in the rules of either No. 2 or No. 3 society. One of the rules was that the directors should have power to borrow such sums for the purposes of the society as they should deem requisite; it was passed, and fully signed and attested

by the registrar. Then No. 3, I think it was, went up, and it was not allowed; in No. 4 it was allowed again. There were several points of that kind. There seemed to be no law in registering the rules at all, especially in important points, like borrowing and others.

3020. (*To Mr. Baynes.*) Have you anything to state with reference to this point?—I observe that the first certificate of the barrister bears "Copy sent to the Clerk of the Peace," and in two subsequent alterations it is in the same way "Copy sent to the 'Clerk of the Peace.'" I can endorse what has been said of the irregularity of Mr. Tidd Pratt's practice upon the subject of borrowing, because when these rules were sent up, he would not certify a clause giving the societies power to borrow; whereas, to my knowledge, in rules sent up previously and subsequently, he did certify that power.

3021. (*To Mr. Higham.*) Having arrived at the difficulty, in what way do you propose that it shall be remedied?—We provide for it in the Bill which we propose. In the first place, this difficulty arises from the confused state of the law, and as Mr. Tidd Pratt told me more than once—twice, or thrice,—we ought to have a consolidation of the law. He mentioned that to me more than 20 years ago, and several times since. More than 20 years ago some of us met to prepare a Bill, but it fell through; but now we have prepared a Bill to consolidate the law. With reference to the registrar, we propose to take away the arbitrary power of determining what is in conformity to law, and to provide simply that the rules shall contain certain things, and that he shall certify that those rules are in accordance therewith; and we get rid of the present difficulties and uncertainties, which are very great. I had no conception of them until I had occasion to look into all the clauses affecting us in reference to these several matters; and, with that view, finding the great difficulties, after the decision in the case of *Laing v. Reed*, and after a deputation to Mr. Brabrook, after the death of Mr. Tidd Pratt, we determined that the only mode of getting out of the difficulty was to have a consolidation of the law.

3022. In your proposed Bill, you make a provision similar to that which is made in the Friendly Societies' Act: "The persons intending to establish a society" under this Act shall transmit to the registrar two copies of the rules agreed upon by them for the government of the society, signed by three of such persons and by the intended secretary or other officer?—That is so.

3023. Then the registrar, under clause 12, is to examine such rules, "and if he finds that they contain the provisions by this Act required, and that the proposed name of the society is not substantially the same as that of any society previously registered, and still subsisting (in the same town or county, or, if in the metropolis, within the metropolitan district), he shall return one copy of the rules to the secretary, or other officer of the society, with an acknowledgement that the same has been registered, and shall retain the other copy." That is proposed for the registration?—Yes; there is now no record of existing building societies. The Home Secretary last December sent out a circular to several societies for a return of the amount of their capital and other particulars. It so happens that I never received one. One of our committee has had several; for every alteration of rule he has had one of these forms sent to him to fill up. There is now no record, and we think it right that there should be so, that reference might be made to it, either by the Government, or as occasion may require.

3024. Then, as to any alteration of rules, the same process has to be gone through?—Yes, and that is in accordance with the Friendly Societies' Act. The only difference is that now it has to be accompanied by an affidavit, the form for which we first obtained in the very book to which I have referred, which was issued by the Treasury in 1838. We have hitherto adopted that form of affidavit, but we do not think it

*Mr. J. Higham.*  
*Mr. W. R. Warner.*  
*Mr. W. S. Hoare.*  
*Mr. W. W. Baynes.*

10 Mar. 1871.

*Mr. J. Higham,* to be necessary, and therefore have not provided for one in our Bill.

*Mr. W. R. Warner,* 3025. What is the difference between your proposal that the registrar is to decide whether the rules "contain the provisions by this Act required," and putting upon him to decide that the rules are in conformity with law?—By clause 11 we provide that the rules of every society shall set forth certain things, and all that we ask him to see is that those things are set forth, that there are "the name of the society and

"place or places of meeting for the business of the society, the purposes to which the funds of the society are to be applied, and the manner in which they are to be invested." So long as there are provisions for these, that is all that we require. Then come "the manner of altering and rescinding the rules of the society and making additional rules, the manner of appointing and removing the board of directors or committee of management, the trustees and other officers, and of calling general and special meetings of the members, the manner of appointing auditors, and the times when they shall audit the accounts; whether disputes between the society and any of its members, or any person claiming by or through any member, or under the rules, shall be settled by reference to the court or to arbitration; the powers and duties of the several officers, and the fines and forfeitures to be imposed on members of the society;" and then the form which we have now, setting forth the receipt to be endorsed on mortgages. Then the registrar, seeing that those things are provided for, would give a certificate, and we should get rid of the difficulties which have hitherto arisen. When I spoke to Mr. Tidd Pratt about striking out the rule in my Fourth City Mutual Society, giving the borrowing powers, he said, "If I put the rule in, it will not make it law."

3026. Surely it amounts to the same thing. In previous Acts certain regulations were made for these societies. In this Bill you specify that certain matters shall be set forth in the rules. In both cases certain things have to be done in conformity with the law, before the registrar can certify the rules?—Yes; but in the case of borrowing powers, and in the case of winding-up, Mr. Tidd Pratt objected to many things being in. He acted in a dictatorial and arbitrary manner. He was a gentleman whom we were always very pleased to meet, but I cannot say that we respected his decisions. If he gave a decision, we had no alternative but to go to a court of law, which at the commencement of a society is not a thing to be encountered. It is important that the registrar should see that the rules provide for the manner in which the funds of the society are to be invested, and the manner of altering the rules. We think that the provisions contained in our 11th clause are all that are essential for securing the interests of the members and of the public.

(*Mr. Warner.*) In our proposed Bill we have exactly defined what the registrar shall certify.

(*Mr. Hoare.*) I think that the difference, or distinction, although it may be a subtle one, which Mr. Higham wishes to draw in this Bill, is this. The registrar has exercised this arbitrary power, that even supposing that a clause was inserted in the rules and that there was nothing antagonistic to it in the Act, still he has always held that he had the power of striking it out. Now, we had a clause for winding-up, which has always acted very well, and we had it in about nine societies. He suddenly struck it out in the last; Mr. Lewis went up to argue the point, and Mr. Tidd Pratt said, "It is not because it is not in conformity with the Building Societies' Act, but I do not think it a good rule." As long as a rule is in conformity with the Act, I think that there should be no power to prevent its being put in.

3027. Then you want to limit the power of the registrar to interpret the law?—No, I do not think that that is meant. I think that if you put in a rule which the special Act does not interfere with in any way, it should not be struck out. In the case which

I speak of, of winding-up, it was a method of winding-up which we found answered very well. This Bill wishes to take away the power of refusing a rule, if it is not antagonistic to the Act.

3028. The registrar's power of objecting to that rule would be that it was not in conformity with the law?—I think that was not always so, because the reason which he gave was, that he did not think that it would be a good working rule.

3029. (*Sir S. Waterlow.*) You alluded to the fact that the registrar had struck out in one case a rule for winding-up, while he had allowed it in another?—Yes.

3030. By your present Bill you do not define what shall be the rule with reference to winding-up, and therefore will you point out the difference between the present state of the law, and what would be the state of the law under this Bill?

(*Mr. Higham.*) We do provide for the dissolution or winding up of a society in the 29th section of our Bill. The registrar would see that the things which we have provided for, which are all that we believe to be essential in the interest of the public, are inserted in the rules, and finding that to be the case, he would have to certify them.

3031. But if any rule was inserted, the subject matter of which was not set out in the Act, I apprehend that he would be entitled to object to it, because he would then have to exercise his discretion as to whether it was in conformity with the present law or not?—No; the 12th section provides that if the proposed rules contain the provisions by the Act required, he shall give a certificate of registration, but he is not to be required to certify that the rules are in conformity with law.

3032. But if you insert any rule which is not in the previous section, he must reject it?—Certainly not.

3033. He could not be called upon to certify any rule which you might choose to submit to him, beyond those which you had in the Act?—Seeing that the barrister's certificate does not make the rules legal, we are placed in a very anomalous position, if he has the power of objecting.

3034. (*Chairman.*) Then what is the use of his certificate at all?—Certain essential things, say the borrowing power, would have to be certified.

3035. Taking that very point—supposing that it should occur to the barrister that the purposes to which the funds are to be applied, and the manner in which they are to be invested, are contrary to law, you give him no power under this Bill of refusing to certify those rules?—Section 12 must be taken in conjunction with the other sections. Section 8 provides that "Any number of persons may establish a society under this Act for the purpose of raising by the voluntary subscriptions of the members a stock or fund for enabling any member to receive out of the funds of the society an advance upon security of freehold, copyhold, or leasehold estate, or heritable estate, by way of mortgage, conveyance, or bond and disposition in security;" and what we put in the rules to carry that out must be in conformity with the statute so far, of course.

3036. (*Mr. Roundell.*) Looking at the 16th section of your Bill, which provides that the rules of a society "shall, so far as the same are in conformity with law, be binding on the members," &c., you would in fact throw the onus on the members of showing that a certain rule was not in conformity with the law?—We think that the more the onus is thrown on the members, the more they would look after their own interests.

3037. (*Sir S. Waterlow.*) Then am I to understand that in your opinion it is fair that the registrar should have no discretion whatever with regard to whether he should give, or withhold, his certificate?—I think that seeing that the Act is complied with, he should be bound to give it.

3038. Supposing that some matter is referred to in the rules which is not in the Act of Parliament, is



he not then to exercise his discretion?—Everything essential is here provided for, but there must be a number of collateral rules in addition.

3039. With reference to those collateral rules, is he to have any discretion?—No.

3040. Then he is not to have any discretion at all, either as to the defined rules, or the undefined rules?—He would have a discretion to see that what is provided for in the 11th section is set forth in the rules.

3041. But not as to anything beyond that?—No. If he is to have an arbitrary power, it ought to be binding.

3042. Then do you submit to the Commission that, in your opinion, if his certificate does not make your rules law, no certificate should be required?—We did think that by the Government Bill of last session it was going to be done away with.

3043. Our anxiety is to know what are your views, for the guidance of the Commission in any course which they may think it right to recommend, and therefore I must put the question again: Do you consider that the registrar should have no discretion with reference to giving, or withholding, a certificate, upon matters which are not set out specially in the bill?—Certainly.

3044. (*Mr. Roundell.*) You wish him to be a mere registering officer, without discretion?—Yes, to see that these things are complied with. That would be so.

3045. (*Chairman.*) Then what is the use of his office, supposing that you lay down certain matters in this Bill by clause 11, which are to be contained in the rules of every society? Why is it not sufficient, taking your view, to enact that that shall be done, and to leave out the registrar altogether?—Because there would be nobody to see that it was done. Under the Bill which the Government introduced last year, that would have been done; and when we were framing this Bill, we had the Bill of the Government before us, proposing that it should be done by the Board of Trade; it did away with the registrar altogether.

3046. Then your idea of the duty of the registrar is simply to see that clause 11 is carried out?—Yes.

3047. In what other points do you find the Act of the 6th and 7th William the Fourth, chapter 32, inconvenient to building societies?—The 6th and 7th William the Fourth only contains such a few clauses that we are left to repealed Acts to find what the law is. But although they are repealed, it has been since decided that, inasmuch as they are incorporated with the 6th and 7th William the Fourth, chapter 32, for our purpose, they remain in existence. Not very long ago a solicitor came to me with regard to winding-up, and referred to the 18th and 19th Victoria; but that Act does not affect us. The 18th and 19th Victoria repealed all the other Friendly Societies' Acts which are incorporated with our Act, but that being a subsequent statute to ours, it does not refer to us. In preparing our Bill we have gone through the 18th and 19th Victoria, and have taken many of the clauses from that statute.

3048. What is the inconvenience which you at present suffer with reference to winding-up?—We do not know what the law is about it, and in Mr. Hoare's case the barrister struck out the clause, which would have given them the power they sought to obtain.

(*Mr. Warner.*) The only method with the societies now is to go to the Court of Chancery if any difficulty occurs.

(*Mr. Higham.*) Winding-up under what is called the Companies' Act does not apply to us. I have closed a society by the assent of the parties, but there is no legislation applicable.

(*Mr. Warner.*) I had the winding-up of a society, having been a director of it; but I found so many difficulties in the way, that we were compelled to renounce all our rights upon those shareholders who refused to come into the winding-up. We found we could not enforce them without going to Chancery.

(*Mr. Hoare.*) As far as regards the terminable societies with which I am connected, the termination

will take place at the end of 10 years. The rule to which I specially referred, which was struck out although it had worked well, the shares being 50*l.* shares, ran that at the end of 10 years from the commencement of the society, if there should not be the sum of 50*l.* to divide among the rest of the investing shareholders, they should take such sum as should be divisible among them pro rata, according to their shares. We had found many societies with that rule. There seems to be no provision in the Act to wind them up. To my astonishment, last year that rule was struck out altogether, and when we asked the present registrar, Mr. Stephenson, what we were to do in the matter, he said, "I cannot tell you," so that there is evidently a doubt in the law upon the point. He said, "I cannot allow it, because I do not think that it is exactly in conformity with law." There is nothing against it in the Building Societies' Act.

3049. As regards winding-up, what is the legislation which you propose on behalf of building societies?

(*Mr. Higham.*) We propose that "A society under this Act may be wound up voluntarily by the votes or consent of five-sixths of the members." That we may perhaps have to alter to three-fourths.

3050. Why have you put simply five-sixths of the members, without also including the proviso in the 10th George the Fourth, chapter 56, section 26, by which the rights of members who have remained for some time in the society are guarded against being outvoted by new members? That proviso is that every member shall have one vote, and that for every five years that he has been a member of the society he shall have one additional vote, not exceeding five in all?—In our original Bill we had such a provision, but from correspondence with different parts of the country, we found there would be great difficulty in carrying it out, and we thought that a society should not be dissolved unless the members were agreed. A friendly society is very different from a building society. I have the draft Bill here as we originally prepared it. We first took the several clauses out of the Friendly Societies' Acts, and submitted the draft to counsel, after having had correspondence with all parts of the country as to the different opinions entertained in the various societies.

3051. Are the provisions of that clause 29 of your Bill the same as those of the 26th section of the Act of George the Fourth, excepting as to additional votes?—We have in nearly all cases adopted the more modern legislation, the 18th and 19th Victoria. We took it first from the 10th George the Fourth, chapter 56, section 26, and then it was altered by counsel.

3052. There is a provision in the Act of George the Fourth, section 26, that it shall not be lawful "for such society by any rule to direct the division or distribution of such stock, or fund, or any part thereof, to or amongst the several members of such society, other than for carrying into effect the general intents and purposes of such society declared by them, and confirmed by the justices of the peace as aforesaid, according to the directions of this Act." That is omitted in your Bill?—Yes; that will not apply, I think, to our case.

3053. Why is it omitted?

(*Mr. Warner.*) It was omitted on the advice of counsel, supposing that modern legislation was superior to the old legislation.

(*Mr. Higham.*) Mr. Brabrook will explain that particularly.

3054. Then at the end of the clause, in the Act of George the Fourth, there is a penalty for illegal dissolution or division of the funds?—We do not think that necessary. That enactment is to provide for the case where persons have paid to a friendly society for many years, and to prevent them being illegally deprived of the benefits to which they are entitled.

(*Mr. Warner.*) The enactment in the 10th George the Fourth was not intended to meet the case of building societies winding-up, but of friendly societies winding-up, and we did not consider it applicable to building societies.

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10 Mar. 1871.

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(Mr. Higham.) We could not get five-sixths or even three-fourths of the society to agree, unless it was for the interest of all.

3055. I think the 23rd and 24th Victoria, chapter 58, sections 1, 2, and 3, gave power to the registrar to assist in the dissolution of friendly societies. You do not propose anything of that sort?—We have not looked beyond the 18th and 19th Victoria, which was the Consolidation Act of Friendly Societies.

3056. The first clause of that Act, the 23rd and 24th Victoria, provides that "in case of the dissolution of a society, according to the provisions of the 13th section of the Act passed in the 18th and 19th years of Her Majesty, chapter 63, it shall not be necessary to state in the agreement the intended appropriation or division of the funds, or other property, but it shall be lawful to the members, if they shall think fit, to refer such appropriation or division to the award of the registrar?"—The alternative in our case is the county court, and our counsel did not think such a provision necessary.

(Mr. Warner.) It is considered more advisable to go to the judge of the county court than to the registrar.

3057. This gives the power, does it not, to the registrar to make an award as to the winding-up of a society, on an application of not less than five-eighths of the whole members of the society, if he considers that the funds of such society are insufficient to meet the claims on it?

(Mr. Higham.) I should think that that has not worked satisfactorily, or our counsel would have suggested a similar clause if he had thought it desirable.

3058. But you have not had practical experience of the working of it?—No.

3059. Nor any of the gentlemen here?—No.

3060. What point do you next refer to as being inconvenient in the present law?—The 1st clause of the 6th and 7th William the Fourth is beset with difficulties. It has been, as Mr. Davis says, commented upon again and again by the different judges. It is provided that the value of the shares shall not exceed 150*l.* each, to which we have no objection; but it is also provided that the payments on them are not to exceed 20*s.* per share per month. I do not know what may be the view of Mr. Stephenson, the present registrar, but Mr. Tidd Pratt, just prior to his decease, determined not to certify any more rules, unless a limit was placed on the amount which we were to receive per share per month; and consequently, if a member wished to pay any sum in advance exceeding 20*s.*, we could not take it, and doubts have accordingly been suggested whether, if a member is in arrear, we could receive the amount due. If we are not to take more than 20*s.* per share per month, we are practically shut up from transacting our business.

3061. But your view probably of this enactment would be that the subscription properly payable within the month should not exceed 20*s.*?—Yes; but counsel's opinion has been taken, and I believe that no rule now would be certified unless provision was made that in no case should we receive more than 20*s.* a month from a member.

(Mr. Warner.) In our society we lie under this dilemma, that one of the members might go to the Court of Chancery and obtain an injunction against our issuing any realized shares, that is, the payment of shares in one sum; and as our society depends so much upon the shares which have been paid up in full, we shall be just in that dilemma, that we have been receiving those payments unlawfully.

3062. This Act would in any case prevent the issue of realized or paid-up shares?—

(Mr. Higham.) Altogether.

(Mr. Baynes.) I may say that Mr. Tidd Pratt certified in the rules of the society with which I am connected a rule providing for shares being fully paid up; and subsequently when we applied to him for a slight verbal alteration in that rule, he said that he could not certify that alteration, because he could

not then certify a rule providing for paying up the shares, he having changed his opinion previously.

(Mr. Warner.) We have three descriptions of shares, investing, realized, and advanced; but although Mr. Tidd Pratt has certified our realized shares, it does not make them legal.

3063. (Chairman to Mr. Higham.) What do you understand to have been the intention of the Legislature in enacting this limit?—There can be no doubt that the intention of the Legislature was to limit the operations of these societies; but we contend that the legislation of 1836 is not now applicable to their working; indeed there had been at that time very little experience in them. This first clause is a jumble of enacting clauses and preamble mixed up together. The idea probably was, that these societies would be but very small; but we consider it a great advantage that their operations have been largely extended, and that there should be no such limit to the amount of subscriptions to be received.

3064. These words were a natural sequence to the words in the preamble of the Act, which are, "For the purpose of raising by small periodical subscriptions a fund to assist the members thereof in obtaining a small freehold or leasehold property"?—Yes, that may be so; probably it was in consequence of a further consideration of those words that Mr. Tidd Pratt recently altered his mind as to limiting the amount of subscriptions to be received each month. But for 30 years we have had the rules certified without any such limit, which would now throw us into confusion. Many millions of money have been invested in societies now in existence, the rules of which do not contain any such restriction.

(Mr. Warner.) At the time when that Act was passed, only terminating societies were in existence.

3065. So many building societies have taken to issuing deposit or realized shares, that this provision is on their account required to be repealed?—

(Mr. Higham.) Independently of realized shares, we find it absolutely necessary to let people pay what their means will enable them to pay. If a person is in a good situation, and can pay more than his regular subscription, it is desirable we should allow him to do so, because through affliction or some other causes he might be prevented from keeping up his subscriptions at a later time. To limit us to anything like this would be very injurious to the members.

3066. This provision, although it limits the value of a share, and the amount of subscriptions to be paid per month for it, does not limit the number of shares which a man may hold?—Not at all. I never heard of any shares beyond 150*l.*, but they are usually 60*l.*, 80*l.*, or 100*l.* Some are 25*l.* shares; my investing shares are 60*l.* each, and a member pays 10*s.* a month, or as much more as may be convenient. Gentlemen's servants, and other persons receiving their salaries, quarterly, prefer paying any amount from time to time as may suit their convenience.

(Mr. Hoare.) I can corroborate what Mr. Higham says about that matter. I think that that is the custom of the larger number of the societies in England. The members are bound to pay a certain special sum, probably 5*s.* or 10*s.* a month; but some of them pay three months, or five months, or sometimes a year, in advance. The kind of society to which that Act refers is almost obsolete on account of its injustice. It was worked in this way, that at the end of the 10 years a 60*l.* subscriber at 10*s.* a month would not make 120*l.* unless the borrowers had suffered very cruelly, so as to produce such a sum; and if not, men were balloted out, and by that means of course the number became at last so small that 120*l.* could be paid. But that was so unjust and unreasonable that I hardly know a society at present existing upon that plan.

3067. (To Mr. Higham.) Is there any other point on which you think the law requires amendment?—The 18th and 19th Victoria was an amendment on the Friendly Societies' Acts, and there are several of its clauses which we wish to incorporate in our



Bill. Except this first clause we have to refer to other Acts which have been repealed, to see what the law is, and we think that the Acts ought to be consolidated.

3068. There are several clauses of the Act of the 18th and 19th Victoria which you propose to incorporate in your Bill?—Yes. We have endeavoured to make it a consolidation of the present law. We have received many suggestions for introducing new clauses, but we have confined ourselves almost entirely to what we had primarily in view, namely, the consolidation of the existing law.

3069. Clause 6, I think, is taken from the 18th and 19th Victoria?—Yes, section 2, with a little alteration.

3070. There is a slight difference?—Yes, which counsel has made. In the 7th section we require that all transcripts of the rules shall be sent to the registrar within a time to be named, so that a record may be kept of the societies.

(*Mr. Hoare.*) It is highly important that in any Bill which may be passed an account of the societies should be kept by the registrar, or by some person. A society with which I was connected, after spending a large sum of money in advertising under a certain name, found that there was another very small society of the same name, and after going to Mr. Tidd Pratt's office to find whether a society of that name existed, we were compelled entirely to alter the name of our society. We had previously no possible means of finding out the name of that society, because there was no record of the societies.

(*Mr. Warner.*) I may state that the Snn Permanent Benefit Building Society now suffers from that very fact. There have been two Snn Permanent Benefit Building Societies established in London since our own was established, and we have no power to force them to alter their name; they have taken advantage of our success.

(*Mr. Higham.*) Another society was about to adopt our title; we threatened a bill in chancery against the trustees, and the secretary said that he was very sorry, but that they merely took our name because they had heard that ours was a prosperous society.

3071. The 15th clause of your Bill is taken from the 18th and 19th Victoria?—Yes, in effect from section 30. It is to make it clear that any rules "purporting to be signed by the registrar shall, in the absence of any evidence to the contrary, be received by the court, and by all courts of law and equity and elsewhere, without proof of the signature."

3072. The 21st clause, I think, is the next which is taken from that Act?—Yes, it is taken from section 36.

3073. The 22nd clause relates to the recovery of the property if the officer dies or becomes bankrupt, and that clause is taken from the 18th and 19th Victoria?—Yes; Sir Roundell Palmer has kindly favoured us with his opinion of the Bill, and has given us his views in detail, and has taken the trouble to reduce them to writing, so that we might submit them to you; and upon this particular clause Sir Roundell Palmer thinks that it would give a preference which we ought not to ask for, and therefore I may state that if from any expression of opinion by this Commission it was felt desirable, the committee would consider whether they could not abandon this and the following clause. Sir Roundell Palmer says: "Clause 22 is, no doubt, framed after the model of the corresponding clauses in two of the Friendly Societies' Acts (4 and 5 Will. 4. cap. 40. sect. 12. and 18 and 19 Vict. cap. 63. sect. 23). But I think, in that respect, it only follows an 'exemplar vitiis,' imitable; and I feel obliged to express my strong disapproval, both of its principle and of its details. In principle, I have never been able to understand why debts due to societies of this description should have a legal preference, in the administration of assets, over all other kinds of private debts, including debts grounded on frauds, or breaches of

"trust, specialties, judgments, &c. But, even if this principle were admitted in cases of bankruptcy or post-mortem administration (a thing I must always object to), it seems to be the very extravagance of privilege to enable these societies, by their mere demand, to intercept the fruits of every judgment creditor's diligence, when he sues out execution, in the ordinary course of law, against a living and not bankrupt debtor, for his own individual debt."

3074. Does your opinion agree with that which has been expressed by Sir Roundell Palmer?—We have not had an opportunity of conferring with Sir Roundell Palmer since; but I think it very likely we might assent to give up those clauses. It is generally supposed that we have that privilege now. When the Bankruptcy Bill of 1869 was brought in, the objection was taken that the exception in favour of friendly societies would be repealed, and a special clause was put in to provide against that, but it did not allude to building societies; and in a case which has been tried since the passing of that Act it has been held by the judges that, although friendly societies are included, yet, as building societies are not expressly mentioned, we have lost the benefit of the previous legislation. That is another illustration of the unsatisfactory position in which we are placed; but whether it is right to allow these societies to have a preference over everybody else is a question.

3075. Do you consider that the building societies would be willing to give up what is a kind of privilege?—I think they would in this case, especially as it would facilitate the passing of the Bill, and as we have now lost the privileges.

(*Mr. Warner.*) The committee who had the drawing up of this Bill were in favour of that clause as it stands. Of course we bow to Sir Roundell Palmer's decision; but I may state that he not only objects to that clause, but objects to the clause in the 18th and 19th Victoria.

(*Mr. Higham.*) He objects to the principle.

3076. Then there is the 23rd clause, which is likewise taken from the 18th and 19th Victoria?—There is no objection to that; it simply provides that the property of the society shall be vested in the trustees. Then the next clause which is taken from that Act is the 25th: "The trustees of a society under this Act are hereby authorized to bring or defend, or cause to be brought or defended, any action," and so on; that is taken from section 19.

3077. On the question of trustees, do you think that it would be advisable that any alteration in the law should be made which should apply to building societies, as to incorporating them?—We have discussed that question with Sir Roundell Palmer, and he also alludes to it in his communication to us, and we would suggest that we should be put in the same position as the industrial and provident societies, and that the certificate of the registrar should incorporate the society, as is done by that Act. Sir Roundell Palmer fully endorses that view. We should then get rid of difficulties which arise in consequence of the appointment of new trustees.

(*Mr. Hoare.*) I think that it would be very beneficial to building societies if trustees were done away with. When a society has the misfortune, as I have known in one case, to get hold of a recalcitrant trustee, a man who will not act, it is a most difficult thing. The trustees, in one case which I allude to, were positively bought out, in order to get rid of them.

(*Mr. Higham.*) I dissolved a society 15 years ago, and have recently had some enquiries respecting the appointment of the trustees. The alteration, which Sir Roundell Palmer approves, would obviate that.

(*Mr. Warner.*) We have a difficulty in the closing of a mortgage, if the trustees have died or been changed during the progress of that mortgage, and if the property has to be sold,—we have to prove that each trustee has been removed, and to prove the

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10 Mar. 1871.

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10 Mar. 1871.

appointment of the new trustees. I have myself found great difficulty in it.

3078. The 26th clause simply limits the responsibility of the trustees?—(Mr. Higham.) Yes.

3079. Then the 27th clause allows sums to be paid upon the death of a member without administration?—Yes, under 50*l.*, the same as in the Friendly Societies' Act. Then the 30th section is very important; it provides that societies may unite with one another, a power which they do not now possess. A society may wish to discontinue, and we think it very desirable to have the power of amalgamation, if need be.

3080. I observe that there is a difference between the 30th clause of your Bill, and the clause in the Friendly Societies' Act, namely, that this clause provides that "two-thirds of the members of each of such societies, present at general meetings respectively convened for the purpose," must decide upon the matter?—Yes. Sir Roundell Palmer says, Why should there be five-sixths in the previous clause, and two-thirds in this? He says, "In clause 30, which enables two or more societies to make (what are commonly called) 'amalgamation' agreements with each other, the majority required to authorize any such agreement should not (in my opinion) be less than the five-sixths required, under the preceding clause, for a voluntary dissolution, and the saving of the rights of creditors, at the end of clause 30, should be applicable, not only to creditors of the society transferring, but to all creditors, of any or either of such societies." In any little matter of that sort we only require what is best in the interests of all parties. Clause 34 is to us an entirely new clause. When the former Act was passed, societies used to meet at public houses; and we have most of us discountenanced that sort of thing as much as possible. Many of us now have offices, but we have no power to purchase or rent them in the names of the society, consequently we have to take them in the names of other parties. I might refer to a suggestion which we had the honour to receive from Sir Michael Beach last session, that instead of the words "one acre" in this clause it should be restricted to "one-fourth of an acre," and we should be content with that alteration.

3081. There is rather an important difference between the clause in the Friendly Societies' Act and this clause. The clause in the Friendly Societies' Act provides that "the trustee or trustees of any friendly society, with the consent of a majority of the members thereof present at a special or general meeting of the society, may purchase, build, hire, or take upon lease, any building." Your clause provides that they may do so by "the authority of the board of directors or committee of management," ignoring the general meeting altogether?—The directors have the receiving and investing of the money; surely it is a matter more for the directors, whether one, two, or more rooms are required; the directors are the board of management, and they are the proper persons to determine that question.

3082. The law under which friendly societies are, requires that a general meeting shall be called. Is there any such difference between building societies and friendly societies as that there should be a difference in the law?—Yes. I never had anything to do with friendly societies, but from my knowledge of them they have not offices as we are obliged to have.

(Mr. Hoare.) The larger ones have.

3083. Under this clause, as it now stands, the board of directors, or the committee of management, might authorize the trustees of the society to spend a very large sum in the purchase of a building for the purposes of the society?

(Mr. Higham.) Yes, the Temperance Society has just taken a place in Ludgate Hill; the directors have expended some 8,000*l.* or 10,000*l.*, but they think it a good investment, and they are the parties to know what are the requirements of the society; the members of the society could not tell. Still we should

make any modification which might be thought advisable. All our offices are now held in other people's names, although the society of course finds the money.

3084. May I take it that what you as representing the building societies wish, is to be placed upon the same footing as friendly societies in reference to this matter, or upon another footing?—We want to be placed on the footing which will simply enable us to take rooms to carry on our business, and subject to that we should be willing to adopt any suggestion which was thought desirable; but certainly we should object to call a meeting of 1,000 members to consider the point. I think that the directors are the parties to determine it.

3085. Is that the view of the other gentlemen present?

(Mr. Warner.) It is quite mine.

(Mr. Hoare.) I do not think that it will work very well with the shareholders.

(Mr. Baynes.) I certainly think that a matter of that sort is within the cognizance and should be within the discretion of the directors. To the directors is committed the conduct of the business, and that is merely a matter of detail.

3086. (Sir S. Waterlow.) It might be an investment of a very large amount of the funds of the society, which would not be easily available in case of the society wanting its funds?—All the investments of the society are left with the directors, and therefore I think that it might be safe to leave this matter to them.

3087. (Chairman.) The Friendly Societies' Act authorised such purchase, or hire, or building to be done for the holding of meetings of the society. Your clause simply says "for the purposes of the society."

(Mr. Higham.) Yes; we limit it to that; it must be for the purposes of the society. They must not speculate, must not go and buy another house to make something out of it.

3088. The words of the Friendly Societies' Act place a stronger restriction upon them than your words do?—Simply to hold a meeting would not apply. We do not want it so much for meetings; we want it for offices. We have only adapted the clause so as to meet our requirements.

(Mr. Baynes.) The business of some of these societies has so extended, that they have offices which are open every day, say from 10 to 4.

3089. Are you aware that that is also the case with some of the friendly societies?—I am not.

(Mr. Hoare.) I believe that it is the case with some of the larger ones.

3090. At the end of the clause there is another difference. The Friendly Societies' Act provides "that all money spent in purchasing, building, hiring, or taking upon lease any building for the purpose of holding such meetings, and in adapting and furnishing the same, shall be raised according to the rules of the society in such behalf inserted." I see that you omit that provision.

(Mr. Higham.) Yes; because their moneys are subscribed for a specific purpose, to be appropriated in a certain way. Ours are not so; but ours are for the general purposes of the society. If we stand at 100*l.* a year rent, we have a right to pay that rent.

3091. The 35th clause of your Bill provides that minors may be elected as members?—Yes; we have merely taken that from the Act of the 18th and 19th Victoria. We have received several suggestions that the law does not give minors the power to execute mortgages. We do not intend to give that power, but merely that they may be members.

3092. Those are the clauses which you intend to incorporate from the Friendly Societies' Act?—Yes.

3093. Is there any other point on which in your opinion the present law requires amendment?—The latter part of the 1st section of the Act of 6th and 7th William the Fourth, chapter 32, we have not alluded to. It is there provided "that no member shall receive or be entitled to receive from the funds of such society



"any interest or dividend, by way of annual or other periodical profit upon any shares in such society, until the amount or value of his or her share shall have been realised." That we think was applicable to the old societies, but is not so now. We put it in our first draft, but we had many objections to it from several parts of the country. Sir Roundell Palmer calls attention to the omission.

3094. What is the objection to that provision?—The construction which we have put upon it is, that if a man has 50*l.* paid to the credit of his share, supposing his share to be 60*l.*, and he wants to withdraw a part of the money, he cannot do it, neither can he receive any interest on account of that share. We find practically that that is very inconvenient. Why should not a man receive a dividend on his 40*l.* as well as if he had 400*l.*? But we are now bound to place all the sums on uncompleted shares to credit. Some of the largest offices, however, do pay in defiance of the law.

3095. That is another point in which you think an alteration of the law is required, owing to an alteration of the business of the society?—That is so. Clause 5 of the Act of 6th and 7th William Fourth we adopt; it provides that the receipt endorsed on the mortgage shall be a sufficient discharge without reconveyance.

3096. That you propose to re-enact by clause 39 in your Bill?—Yes.

3097. Without any alteration?—In substance it is the same.

(*Mr. Hoare.*) In speaking of this endorsement on mortgage deeds, there is on that point especially a very great inconvenience from the fact of trustees being sometimes in the country and sometimes absent, and we have no opportunity of releasing properties.

(*Mr. Baynes.*) It is very awkward indeed.

3098. There is no important change?—(*Mr. Higham.*) There is no important change. Then as to the investment of surplus funds, we are now subject to restrictions. The 6th section of the 6th and 7th William Fourth, chapter 32, enacts "that nothing herein contained shall authorise any benefit building society to invest its funds or any part thereof in any savings bank, or with the Commissioners for the Reduction of the National Debt." We have never been able to understand why that was put in; but we propose to take power to invest our surplus funds as occasion may require.

3099. You propose to take power to invest your surplus funds in savings banks, as well as with the Commissioners for the Reduction of the National Debt?—Clause 20 of our Bill bears that "the trustees of any society under this Act may from time to time, as the rules direct, invest any portion of the surplus funds of the society upon real or leasehold securities, or in the public funds, or in or upon any parliamentary stock or securities, or in or upon any stock or securities payment of the interest on which is guaranteed by authority of Parliament, or upon any other security, not being personal security, expressly authorised by the rules of the society," the rules having set forth in what manner the funds may be invested.

3100. What would be your view as to a power to advance to members upon real security, with the collateral security of a policy of insurance?—As far as my experience goes I should discountenance that. I have never encouraged members taking more liability than their payments on the property, and therefore I have not pressed parties to insure their lives at the time of having an advance, because as you increase the burthen you decrease the probability of their being able to carry out their engagements. The property should be the security; and the less they are encumbered with other things the better I think it is for all parties.]

3101. Is that the view of the other gentlemen present?

(*Mr. Warner.*) It is not mine. I find that my shareholders generally wish to adopt the principle of life assurance in connexion with their mortgages,

and I have now had it for five or six years under consideration; I could not find an office which would accept us upon the terms which we required, but I think that we have now found an office which will do so, and we shall adopt that plan.

3102. (*Sir S. Waterlow.*) In that case would you advance a larger sum than you would have done without a policy?—No; it would be the payment of a small amount in addition to the present subscription, so as to have the benefit continued to survivors in case of death.

(*Mr. Hoare.*) I understand the question to mean whether we should advance a larger sum, provided the man took up a policy of insurance. That is a question which requires consideration.

(*Mr. Higham.*) Occasionally we have had a life policy as additional security, and in one case the member died, and we received the money. But our desire has been to conform to the law, and, as a rule, we have simply made advances upon freehold or leasehold property.

3103. Then I understand that your objection to taking a policy of insurance as a collateral security arises from the fact that, in taking that collateral security, the society might be tempted to lend a larger sum than the property itself would naturally bear?—I think that that would be the effect of it.

3104. (*Chairman.*) We will now go through the remaining clauses in the Bill to which we have not referred, and you will express your reasons for the alteration in each. The first case I may take to be the 4th clause, namely, the definition of the court?—Yes. We are advised that those are the proper terms, in England, we think it desirable to limit any proceedings to the county courts, so as to avoid useless expenditure. They have been recognised by all recent legislation as efficient courts of law; and as they were established long after our Act was passed, we have not the power to proceed in them, and we have many letters from different parts of the country, suggesting that we should have that power.

3105. I see that the 4th and 5th William the Fourth brings in the justices of the peace?—That is in reference to disputes, is it not?

3106. It is clause 7.—That has reference to arbitration.

3107. Clause 7 of the Act of the 4th and 5th William the Fourth provides that if the rules of the society direct a reference in case of dispute to arbitration, and the society refuse to grant arbitrators, &c., justices may determine the dispute?—Yes, we shall come to our arbitration clause directly.

3108. I think that the arbitration clause in your bill gives that power to the county court, does it not?—It does, and we have had many letters advising that it should be so, instead of to the justices of the peace. Under the 11th section we provide that the rules of the society shall set forth "whether disputes between the society and any of its members, or any person claiming by or through any member, or under the rules, shall be settled by reference to the court or to arbitration."

3109. In the 31st clause you substitute the county court for the justices in the Act of the 10th George the Fourth?—Yes; we think that that is a preferable tribunal.

3110. What are your reasons for thinking that it is a preferable tribunal?—The general opinion is that it is a better one to go to than to the justices. We considered the various opinions which we have received from different parts of the country, and laid them before counsel.

3111. Why do you prefer the county court to the justices?—It is supposed that the judge is a better authority than the justices; he is a regular practitioner, and therefore better qualified to decide.

3112. Would the county court be always as available for the early settlement of a dispute as the justices would be?—Yes, except during vacation; it would be always available within a month. It is almost as readily accessible as the justices. We have

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10 Mar. 1871.

no strong views upon that point, but we have acted upon the expression of views which we have received from different parts of the country. We have strong views on the subject of arbitration; it has been of great advantage to the societies, and has saved great expense.

3113. Would the county court be as available to all members of building societies as the justices would be?—Mostly. The county courts are held in large towns; and as building societies are usually established in towns, wherever there was a building society there would be a county court near.

3114. I was referring to the members of building societies in rural districts?—They do not exist there; there are not the means of establishing them.

3115. The 5th clause of your Bill simply repeals the Act of the 6th and 7th William the Fourth?—Simply. A suggestion was made by the registrar in Ireland that we should repeal the other Acts of Parliament as well; but we had an interview with the Solicitor-General for Ireland, and he agreed with our counsel that it was quite unnecessary, and that it was sufficient to repeal that Act.

3116. (Mr. Roundell.) Upon the 5th and 6th sections of the Bill, is the effect of them with respect to the subsisting societies, that though they are to come under the operation of this Bill, they are to remain subject to the old law until a change in the rules is made under the Bill?—That was not the intention.

3117. What then is your intention as to subsisting societies?—That, their rules having been certified, they should be entitled to the privileges of the new legislation.

3118. I have a doubt whether the words “or liability accrued,” and so on, in the 5th section, would cover the case of all liabilities in future?—It was put as counsel thought in the most comprehensive manner to include all.

3119. That is what you intended?—Yes.

3120. (Chairman.) I see that the 8th clause is a considerable alteration of the 1st section of the 6th and 7th William the Fourth?—Upon that we have had a considerable discussion with Sir Roundell Palmer, and I have his opinion upon it here. But I may state that we propose to get rid of nearly all the 1st section of the Act of the 6th and 7th William the Fourth. We simply state in clause 8: “Any number of persons may establish a society under this Act for the purpose of raising, by the voluntary subscriptions of the members, a stock or fund for enabling any member to receive out of the funds of the society an advance upon security of freehold, copyhold, or leasehold estate, or heritable estate, by way of mortgage, conveyance, or bond and dis- position in security.” Those latter words are suggested from Scotland particularly, and we have inserted the word “copyhold,” which was not in originally. Some parties thought it better to have it more comprehensive, and to put in those words. Then we leave out all questions with regard to payments, and with regard to the words “erect or purchase,” which we think quite unnecessary.

3121. Your view would be that that definition covers the present character of building societies, and that the definition in the Act of the 6th and 7th William the Fourth does not do so?—Yes; Sir Roundell Palmer associates a benefit building society with the 1st section of that Act, and in his interview with us on Monday last (which he granted, knowing that we were coming here), he asked, if clause 8 were adopted, would the societies be benefit building societies any longer? And, in reply, we said they would, but that we were not particularly anxious to continue the title Benefit Building Societies. We do not require the word “benefit,” but have merely adopted it to avoid raising objections unnecessarily, as we simply wish to obtain a consolidation of the law. But the word “benefit” was not in our rules for many years. Mr. Tidd Pratt subsequently thought that it was desirable to put it in, and he would not certify rules without it. Then

what is a benefit building society? We say that it is, as we set forth in this clause, a society in which the members subscribe together by periodical payments, as may suit their convenience, a stock or fund, and out of that money advances are made on the security of freehold or leasehold estate. Sir Roundell Palmer says, “I trouble you, as requested, with my observations on the Benefit Building Societies Bill of 1870 (as amended in Committee), the details of which (though my name appears on the back of it) I had not the opportunity of maturely considering during the last session of Parliament. It appears to me, that the definition of the objects of these societies, as now proposed to be given by clause 8 of the Bill, is open to the following objections—abrogating as it does all the limitations as to the amounts of shares and monthly subscriptions, and as to the receipt of profits (by way of interest, dividend, or otherwise), which are at present contained in the 6th and 7th William the Fourth, chapter 32; and at the same time dropping all reference to the object of ‘the erection or purchase of dwelling houses or land,’ by means of the advances to be made to members. The effect of this clause, in point of law (and practically) would be to alter essentially the character of the societies in question; they would become mutual loan societies, without any restriction, either as to the nature, or as to the magnitude, of their operations, except such as they might themselves, in each particular case, think fit to introduce into their rules, and except that every loan must be secured upon real or leasehold estate. It appears to me, that the title ‘benefit building societies’ would cease to be appropriate to them, as thus defined; and that the retention of that name, in the title and preamble of the Bill, would be misleading, and liable to produce misunderstanding, and perhaps litigation. But this may be, in some measure, a merely formal objection; it is a much more serious consideration that (although the promoters of the Bill contemplate only the emancipation of societies, substantially like those hitherto existing, from some restraints, which, in practice, may have seemed unnecessarily minute and inconvenient) the Bill, if left thus at large, might open the door to the constitution of a new class of privileged joint stock companies, dealing in money and in landed securities, free from the operation of the general law applicable to other joint stock companies, and specially favoured as to stamps, &c. and legal remedies; but having nothing really in common with friendly or provident societies for the benefit of the poorer classes only, and much more nearly resembling (except so far as they would be limited by the mutual principle) mortgage debenture companies, under the 28th and 29th Victoria, chapter 78. Without undertaking to point out in what particular manner these objections may best be obviated, I think it cannot be right that the matter should be left so much at large as it would be by the Bill in its present form.” With reference to that, we say that there is nothing more in this clause 8 than we now enjoy; we do not ask to do anything more than we now do. We were singularly fortunate up to about two years ago in the legal decisions, but now we find that the law is in such an unsatisfactory state, that we do not know where we are; that, however, does not apply to this particular subject.

3122. Let me point out to you an alteration which is made in clause 8, as amended in committee, from the Bill as originally drawn last session; it was clause 9 in the original Bill, and ran as follows:—“Any number of persons may establish a society under this Act for the purpose of raising, by the voluntary subscriptions of the members, a stock or fund for enabling any member to receive out of the funds of the society the amount or value of his share or shares therein, by way of advance upon security of mortgage on freehold, copyhold, or



"leasehold estate." The 8th clause in this Bill omits the words, "The amount or value of his share" or shares therein by way of?"—Yes; practically we advance upon shares, but the theory is that a man is a member before he becomes entitled to an advance, and consequently has an advance upon shares. Practically it is not so; in some cases persons take shares when they have an advance, but they were not previously members, and it is not right, as we think, to restrict us simply to our own members to do business. We received several objections to clause 9 in the original Bill, as you have read it, and after consultation with counsel, we felt that it might be altered with advantage as we have now prepared it.

3123. But those words appear to have been rather essential, in the view of the Legislature, in defining a building society; for I see that in the Act of the 6th and 7th William the Fourth, chapter 32, the following words are inserted in the first clause: "for the purpose of enabling each member thereof to receive out of the funds of such society?"—There would be no objection to put them in if it was thought desirable. We simply think that they would be cumbersome, but in effect all our advances are upon shares.

(*Mr. Warner.*) We are very careful not to advance to any one who has not previously become a member. We make him take a share first; it is a mere nominal affair.

(*Mr. Higham.*) We think that it is not desirable to have fictions, for the purpose of complying with a clause in an Act of Parliament which is really of no use.

3124. Does this become a fiction by the working of these societies?—Yes, it does; out of perhaps 100 or 200 members there might not be any of them disposed to purchase property; they join the society as investors only, and without investors and borrowers we cannot do business.

3125. Without the two classes you did business when the societies were first originated?—No; we had the investors first, but there must be borrowers as well as investors.

3126. And they were *bonâ fide* members?—Yes, but in several cases terminating societies have been broken up because they could not get enough borrowers. They had no regular offices, and after a time the members got dissatisfied, because there was not sufficient business being done, and then some of them gave notice to withdraw; others hearing of it would also give notice, and the societies eventually were obliged to dissolve.

(*Mr. Warner.*) The Legislature did not contemplate that every shareholder should become a borrower, because it says that females or minors may become shareholders. Females could not hold property.

(*Mr. Hoare.*) As to the words, "the amount of his share or shares," the meaning would be very vague, unless you made the fiction that the share should be nominally taken up to the amount. And as to the remark which has been made, that when societies began they worked with *bonâ fide* members, very few societies worked in that way, and those societies came to irretrievable ruin. The parties who got their advances at the beginning went on well, but the greater part of the members withdrew their funds, and left a few unfortunate individuals to bear the brunt of the whole expense of the society. That is why building societies, up to the last 12 or 14 years, obtained a very bad name, which has now been wiped off.

3127. Are you acquainted with societies which have come to ruin in that manner?—Yes; from the very fact that the parties who obtained the advances at the beginning were in a very enviable position. Sometimes a man sells his right. The old way of choosing who should be the first to have an advance was generally by ballot, and the man who drew the lucky number had the right of taking an advance first. The end of that was, that after a little time the funds were got together so slowly, that it worked its own

dissolution. Supposing that there be 1,000 shares taken up, the amount received per month in an ordinary society would not be more than 250*l.*, and taking an ordinary advance of 600*l.*, it would only make five advances in the year.

3128. Is it not a question of management in those societies, that they should consider what their funds will allow them to advance? Are you speaking of terminating societies?—When the Acts to which we have been to-day referring were passed, the societies were all terminating societies. Permanent societies did not exist, and that form of society has become obsolete, from the very fact that it could not possibly work.

3129. Why not?—On account of the number of years that a man would have to wait before he would have a chance of getting his house, and whoever happened to be in the rut at the last had to bear the brunt of the expenses.

3130. I understand that what you say is this—that in these terminating societies such large advances were made at first that, when the turn came for those who would otherwise have obtained advances towards the end of the society's existence, there were no funds to meet them?—No; I am arguing just in the opposite way. It is in this way, that the very fact of their only taking the subscription moneys made the advances so slow, and so few men could enjoy the advantage of an advance, that after three or four years the greater part of the members withdrew their shares, and of course the last few members who were left in had to stand the racket of the expense of the society, and whatever debts might have accrued; and, therefore, to amend that, the custom has been to borrow money, so as to lend it to members whenever they applied for money. You have not the money directly a man rushes forward to borrow it—it is rather that a man comes, and you must find the money for him.

(*Mr. Higham.*) In a society which I established in the year 1847, and had to wind up shortly after, because we did not do business enough to satisfy the investors, some of them, thinking that we should not succeed, gave notice to withdraw, and that produced dissolution. It has been by altering the plan of working these societies that we have brought them into the position which they now enjoy.

3131. Then you consider that the original constitution of building societies was unsound?—Altogether unsound. The principle which I explained in the early part of my evidence, as to the bidding for advances, was wrong, because some of the members did not understand what they were doing. I induced the directors to adopt a different plan for selling the rights to advances during the next year.

(*Mr. Warner.*) There is another special reason for requiring the law to be altered, or consolidated, because the requirements of building societies are not met by the present legislative enactments.

3132. (*Sir S. Waterlow.*) Referring to your last remark, is it not the fact that the requirements of the building societies are fairly met, but that the requirements of the loan societies are not fairly met?—No, I cannot agree to that.

3133. Are not terminating societies now frequently established, and are not the principles upon which they are established defended and upheld by those who consider them much preferable to the permanent societies?—I cannot say that.

(*Mr. Hoare.*) I was speaking of terminable societies myself. I am a manager of terminable societies, and not of permanent societies.

3134. Are not terminating societies now established?—Yes. Terminating societies on the old principle to which the first Act specially refers. Now in order to conduct a terminating society we are compelled to borrow as much money as we possibly can in the first two or three years, or we could not carry it on.

3135. But surely borrowing money is in principle rather an element of weakness than of strength, because the original principle under which ter-

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minating societies were established, you could not lend the money until it had been subscribed by your own members?—Yes; but you allowed an investing member, who had not borrowed, to withdraw his shares, and then who is to bear the debts which have accrued?

3136. You allowed him to cease to subscribe upon his shares, and to take out the money which he had subscribed, so soon as the society had money to let him take it out?—Yes; but that did not refer to the liabilities of the society.

3137. Was it not sound in principle? because you could not borrow money until you had it from your own members, and you could not pay it back to those of your own members who wished to go out of your society, until you had sufficient money for the purpose; and therefore the whole of your operations were confined to lending to one class of members what had been subscribed by another class of members?

(*Mr. Higham.*) There was scarcely a terminating society which could have lasted for three years upon that principle.

3138. I understand you to say that, from your experience of the two classes of societies, the terminating societies have not been able to proceed without outside loans?—Certainly not.

3139. (*Chairman.*) We may now go to clause 9, which provides that "Any society under this Act may receive deposits or loans, at interest, from the members or other persons, or from corporate bodies, joint stock companies, or Her Majesty's loan commissioners, to be applied to the purposes of the society?"—Sir Roundell Palmer has some remarks upon that subject. He says, "Clause 9 also appears to me to be objectionable, as giving to these societies an unrestricted power of borrowing. It is obvious that the combined effect of clauses 8 and 9, as they stand, would be to give additional weight to the objections already urged to clause 8; and the absence from this Bill of any such controlling power as that hitherto exercised by the barrister certifying the rules makes it indispensable that proper limitations on these powers should be contained in the Bill itself. Societies founded on the principle of allowing members to withdraw, as well as to be advanced out of the funds of the society, cannot properly be allowed to have borrowing powers as indefinite as if the liability of every member were permanently fixed (subject to the ordinary power of transfer) from the commencement. What I would suggest is that some reasonable limit of the borrowing power should be fixed, with reference to the existence of an ascertained surplus, on the last preceding annual statement or balance sheet, of invested assets over liabilities of every kind. I do not pretend to suggest the exact ratio, but the amount to be borrowed should always be kept within a defined limit, so as to leave a perfectly safe margin (assuming the balance sheet to be honest), of such invested surplus assets." With reference to this clause we have prepared it in this shape, but I cannot say that we are prepared, and we never intended, actually to stand by it in this precise form. We were rather anxious, in submitting it to the House, to get an expression of opinion from some of the members, and from the country generally, in reference to it; and I have many letters here, with which I will not trouble you any further than to say that some persons contend, as strongly as they possibly can, that there should be no limit; that many hundreds of societies have been established without limit, and that building societies have been more successful than any other class of institutions as a class, the failures having been but very few, although unfortunately there have, of course, been some. Where the societies were in existence prior to the time at which Mr. Tidd Pratt altered his view in 1857, they had the power without limit in most cases, and they think that it should be left for the depositors to be satisfied that they are safe in lending their money, and that there should be no

limit. On the other hand, we have letters from parties who think that in the interest of societies generally there should be a limit. One or two of our correspondents had written to Sir Roundell Palmer, and Sir Roundell Palmer was kind enough to quote some of those letters to us in expressing his views to us. Upon this point I may say that, as a committee, it is the only one upon which we are not entirely agreed. Some of the committee think with those of our correspondents, who are of opinion that it should be left entirely with the societies; others, and myself amongst the number, think it desirable that there should be some limit; but I would suggest, as strongly as I possibly can, that if a limit is to be fixed, it should apply to future societies and not to the past, because the returns which I have handed in to-day are from different parts of the country, and we are legislating for a large number of persons, and if they were limited it would practically shut up a large number of those societies and bring them to ruin. It may be said that they ought not to have gone to such an unreasonable extent. That, of course, is a question between the creditors and themselves; but I think that the proposal which I had the honour to submit to Sir Michael Beach personally last August is a proposal which would best accord with my own views, and I think that all my friends here would agree to it. What I suggested was, that at the end of clause 9 there should be this addition, "but in any existing society not having at the time of the passing of this Act authority or power by its rules to receive deposits or loans, and in any society enrolled after the passing of this Act, such deposits or loans shall not at any time exceed an equal amount to the amount then invested in such society on subscribing and completed or paid-up shares." It will be contended that in terminating societies that limit would act injuriously, but still if there is to be a limit, some must suffer, and it would be unavoidable, and perhaps it is as far as in reason they should be allowed to go, that whatever is the amount of their subscribed capital, be it 1,000*l.*, or 500*l.*, or 10,000*l.*, that sum should be the limit of their power to borrow, because it is their sole means of repayment. In the rule which was referred to in the case of *Laing v. Reed*, it was decided that the amount to be borrowed should be to the extent of two-thirds of the amount to be advanced on mortgage. I have already shown the Commission that the effect of that would be this,—seeing that after you had advanced the money which you had borrowed you could borrow again on that amount, say with a capital of 10,000*l.*, it would enable you to borrow 19,000*l.*, which would make the capital nearly 30,000*l.*, so that that two-thirds becomes as it were a fiction, and I do not think that that could have been intended. But there is this objection to it, that it is a fleeting amount. If it is limited to the amount of subscriptions received, that is an ascertainable amount, and easily determined, and I believe that to be the best course. In making that suggestion, I am making it on my own account only, and you will perhaps have parties from different parts of the country who will advocate most strongly that there should be no limit to these borrowing powers.

(*Mr. Hoare.*) I cannot agree with Mr. Higham, on account of the restriction which he puts, and the reason arises immediately, namely, that no parallel exists between a terminable society and a permanent society. A terminable society which is to terminate in 10 years, only requires to borrow just at the commencement, when its capital is at the worst; and to say that a terminable society shall only borrow two-thirds of the capital required, is putting a very small amount, whereas it gives a permanent society a much greater power. I have no doubt that the letters and the different opinions which Mr. Higham says he has received would arise entirely from that circumstance, of there being a difference between the two classes of societies.

(*Mr. Higham.*) No, that is not so.

(*Mr. Hoare.*) In a terminating society it would check it altogether, and it would make societies even-



tually all permanent, which of course is an open question as to which is the most safe.

(*Mr. Warner.*) I entirely disagree with Mr. Higham. I say that there should be no limit to the borrowing powers. I go upon this ground, that the power being already unlimited, nothing of any serious consequence has arisen to affect the solvency or the stability of the different societies; that is one point. Another point would be the difficulty in defining any limit. We have discussed this matter over and over again, and when I tell you that the committee have never been able to agree upon any possible limit, they being practical men, you may suppose that there must be a great difficulty in the way. The borrowing powers are confined to two divisions,—one would be borrowing from individuals, and the other borrowing from the bankers, and there comes the difficulty. In respect to the bankers, I think that you may safely leave it to the bankers themselves whether they will lend or not. I have represented to them that we are exempt from stamps; they say, "you may be exempt from stamps, but we lend you the money in the manner which we think best, and the amount which we think best." Then we come to individual depositors of small amounts, who would require protection under a limitation of the borrowing power. I myself do not see that they are placed in a much different position from that in which the investing shareholders in the society are; they have the same power of withdrawing as the investing shareholders, and the only difference is that they come more in the nature of preference shareholders in a company. I am speaking of depositors paying in small deposits to the society. This is in reference to my society, and perhaps it represents the case of a great many. Upon the understanding that they shall receive their five per cent., and shall not participate in the profits, we give them a preference over the shareholders in getting their money. The shareholders would be bound to pay out the depositors first. Then the shareholders, who take this risk of providing them with their money, take the entire profits. That is the basis upon which we stand.

3140. Do your shareholders take any risk beyond their shares?—No. Then I am coming to a most important point with reference to this matter of borrowing, which is, that the whole of the funds are bound to be invested in one particular security, namely, mortgage. We have no risk or liability of a trading business; we have a positive security given for every pound invested in the society, which is, I think, a most important thing. It only remains with the directors to see that their securities are sound, and there is no possibility of loss in the society, and, taken generally, the losses which do occur in societies are extremely small. I may say that in my own society we have never had a loss during the whole 17 years, and I believe that by putting a limit on the borrowing powers, you would tend to create in the minds of the shareholders an impression that they were protected by law, instead of being protected by their own judgment.

(*Mr. Hoare.*) I also strongly protest against Mr. Higham's view, because I see that it cannot stand. I can understand that the borrowing power should not exceed two-thirds of the amount advanced; but when you go to the extent of the amount subscribed, it is constantly fluctuating. Say that already 2,000*l.* is subscribed, and therefore on that amount you may borrow 2,000*l.*, that 2,000*l.* in the next month may almost all be drawn out, and therefore by making the borrowing power dependent upon a fractional portion of a thing which may fluctuate in any month, a difficulty would arise whether it was upon the amount which you had in hand, or upon an amount subsequent to that. I think that it must certainly be upon the amount which is advanced, and not upon the amount subscribed, which is so fluctuating, and which may be altered in the next month.

(*Mr. Baynes.*) I have had no experience of a terminating society. With regard to a permanent society, I should certainly recommend that the limit

should be a lower one than has been quoted by either of these gentlemen. I think that if societies were allowed to borrow, say one-third of the amount which they advance, the other two-thirds being the subscriptions, it would be a safe limit.

(*Mr. Higham.*) That is half.

(*Mr. Baynes.*) That is really half. These amounts deposited may be withdrawn generally, I think, at about a month's notice. With regard to shares, they can only be withdrawn when the funds are in hand. That provision is not a general one with regard to depositors. Therefore if there is any want of confidence, there may be a run on the deposit account, and there may be a difficulty in meeting such demands for deposits, if the proportion is a very large one. If it was kept within something like the proportion which I have suggested, I think that in the event of a run the directors would be able to meet it, because they would have two-thirds of the money invested in shares, and securities might if necessary be availed of to pay off the one-third.

(*Mr. Higham.*) I find from my first annual balance sheet of our Third City Mutual Society that our subscriptions were 5,484*l.*, and our loans and deposits were 5,745*l.* That is in the first year. In the second year, 1863, the subscriptions were 10,993*l.*, and our loans were reduced to 4,765*l.* Taking also the Second City Mutual Society, I have the second annual report here. Our subscriptions were 7,900*l.* and our loans were 8,060*l.* It is not right for a terminating society to borrow 10 or 12 times the amount of their capital, because that might lead them into difficulties, and if, as the result has proved by the societies just referred to, they can be worked out successfully without excessive loans, that is all that can be reasonably required. I know one terminating society which borrowed so much money in the first year that they have shut themselves up from fresh business for the next two or three years. All the money they now receive has to be appropriated to the repayment of loans.

(*Mr. Warner.*) Societies, I think, might be left to manage that themselves. The very fact which Mr. Higham states, I think, proves that. They had the power of borrowing any amount of money which they pleased, but they only borrowed what they deemed sufficient for their requirements. I find, as a rule, that those societies who are large borrowers (I will not mention names) act in this way. One of the largest societies in London in the way of borrowing on deposits, when they find that they cannot use the money, lower their rate of interest on purpose to exclude depositors.

(*Mr. Hoare.*) Although the figures which Mr. Higham has quoted would appear to bear out what he has said, we must always remember that those subscriptions, or so-called subscriptions, are some considerable part of them repayments of those very advances which were made. It is mixed up together. It is not as if the 8,000*l.* was investing subscriptions, and the other part was loan.

(*Mr. Higham.*) They are investing subscriptions. My figures were kept separate; they do not include repayments on advances.

3141. Does this clause as to borrowing propose to make the members' capital, in the case of those societies which have no borrowing power in their rules, liable for the loans which have been illegally contracted?—Yes; where the society has received the money, we think that they are the parties who ought to pay it. We were very sorry to see the decision of the late Vice-Chancellor Giffard in the case of the Savings Banks Association, given just after the case of *Laing v. Reed*, in which he declined to allow the liquidator to prove against the society for 1,300*l.*, although they had had the money. If the society has received the money, surely the society ought to pay it. Of course if there has been a mal-appropriation it is a different thing. In January last, in the case of *Richardson v. Williamson*, the directors were held to be liable in the first instance; but it does not follow that the society

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will not have to pay the money. I had a letter from Bristol on the 2nd of March with reference to that case. The party says, "This case has created a stir amongst building societies. Can you inform me whether anything further has been done towards forwarding your Bill, and whether it is likely to be passed this session?"

(*Mr. Hoare.*) Whatever the limit is which is made upon borrowing in building societies, whether half, or one-third, or two-thirds, it must be upon the amount of money advanced. It must be upon the amount of real security which the society has, and not upon such a fluctuating thing as subscriptions. I think that Mr. Higham's suggestion is radically wrong, whatever is the proportion.

(*Mr. Higham.*) Mr. Hoare seems to forget that the one is equally fluctuating with the other, as Mr. Ravenscroft, the manager of the largest society in London, has said. If there is an advance paid off, the amount is reduced directly. Still it is a difficult question.

(*Mr. Hoare.*) The thing requires much consideration, but it strikes me that whatever the borrowing powers are restricted to, it must certainly be upon the amount advanced on mortgage, and not upon share capital at all.

3142. Upon the amount advanced on mortgage, and still remaining unpaid?—Yes.

(*Mr. Baynes.*) I quite agree with Mr. Hoare.

3143. Have you any idea of the proportion of building societies which have this power of borrowing now under their rules?—

(*Mr. Higham.*) I have not. Generally speaking, from what I have heard, about 1 in 10 since the year 1857 have the power, and therefore all the terminating societies would not have the power. One of our committee established a society two or three years ago, and he got the borrowing power; but it was only by accident.

(*Mr. Hoare.*) In the last eight years I have had three societies who have full and unlimited borrowing powers; but it seems to me perfectly arbitrary, because the same rules have been sent up, and the same clause has been struck out; I cannot tell why.

3144. Out of those societies which have these borrowing powers, what proportion have any limit attached to them?—

(*Mr. Higham.*) Very few have any limit. I believe the rules for borrowing powers have been framed generally from the book issued by the Lords of the Treasury in 1838, the rule in which provides that they should have power to borrow money as occasion required. I do not think that I heard of a limit till two or three years ago.

(*Mr. Warner.*) There is no limit to mine.

(*Mr. Higham.*) It is quite a novelty.

3145. Then a very large number of the societies would fall under the exception which you propose, as existing societies which have borrowed money without authority?—Yes; a considerable number would; we have always believed that it was not illegal, although Mr. Tidd Pratt refused it. It was not contrary to the law; and it is almost impossible to work a society successfully without loans, and I think there should be some such exception as I have suggested to save the existing societies, or it would bring a great number to ruin, if a limit were enforced in reference to them. There is one society in London where their deposits amount to more than 10 times the amount of subscriptions paid.

3146. Is not there the Birkbeck Building Society, which has deposits of about 686,000*l.*, and a capital of 88,000*l.*?—Yes.

3147. Are there many other societies, which you are aware of, in the same position?—No; a good many of them are within a reasonable limit, but their position varies very much in the principal provincial towns.

3148. Can you give instances of that?—Taking the aggregate of the societies in Liverpool, they have 245,000*l.* to the credit of investing members, and the

balance of loans and deposits is only 16,000*l.* In Sheffield they have 76,000*l.* as the aggregate to the credit of investing members, and the loans and deposits are 121,000*l.*, or half as much again. In Manchester we have returns of societies having to the credit of investing members 468,000*l.*, and the borrowed capital is 142,000*l.* At Birmingham the aggregate is 222,000*l.* to the credit of investing members, and 89,000*l.* on loans and deposits. At Newcastle there is the "Crown," with 13,000*l.* to the credit of investing members, and 21,000*l.* loans and deposits. The "Exchange" Society has 3,100*l.* to the credit of investing members, and 16,100*l.* loans and deposits. The "Guardian" has 2,200*l.* to the credit of investing members, and 39,000*l.* loans and deposits. The "Monarch" (not Mr. Baynes' society) has 6,900*l.* to the credit of investing members, and 76,000*l.* loans and deposits, proving that in some districts they work altogether upon loans and deposits.

(*Mr. Warner.*) I think that it would be advisable to test that against the balances due on advances or mortgages, because I find in a society, namely, the 5th Dalton, in Manchester, that although it has only 106 members, and the amount received during the last financial year was 3,468*l.*, the amount to the credit of investing members is only 2,028*l.*, and it has a balance due on loans of 21,760*l.*, but it has a balance due on advances or mortgages of 22,560*l.*

(*Mr. Higham.*) Of course it is assumed that they use all the money, or they would not take it.

(*Mr. Hoare.*) Still it comes to what I have been arguing, that this is not the slightest proof of the stability of the society. I should rather say that the society which gets the most deposits is the most stable.

3149. (*To Mr. Higham.*) Should you propose that the power of sanctioning loans should rest entirely with the directors and the officials of the society?—Yes, as to when they should discontinue receiving them. They are the only parties who can really know about the working of the society.

3150. You would not bring that question in any way before a general meeting?—It might be dangerous to do so, because if you have to discuss such questions at a general meeting, some of the members might go away with a wrong impression, and then give notice to withdraw. In order to retain confidence you are obliged to be very careful.

3151. In order to retain confidence you let them know nothing about it?—No. A manager of a bank would not ask his shareholders whether he should discount a certain bill.

(*Mr. Baynes.*) I think that, practically, the advantage of the borrowing powers is that they enable the directors to equalise business. Sometimes they receive a large amount as investment, and at other times they have large demands for advances. Those times may happen together, and in order to enable them to meet those demands for advances it is a very useful thing that they should be able to borrow as they require; but the directors themselves must be the best judges as to that, and they have the power of regulating deposits by the amount of interest which they give.

3152. Am I to take it that it is the general wish of building societies that there should be a limit placed upon the borrowing powers, or that there should be no limit placed upon them?

(*Mr. Higham.*) I think that the opinions are about equally balanced.

3153. This question of borrowing powers is the question, is it not, which was considered most important in the proposed Bill?—Yes, because of the recent decisions, the uncertainty of the present state of the law, and because many of the societies have no borrowing powers.

3154. Are the members of building societies generally anxious for this change in the law?—I believe that they do not know much about the subject, and if you begin to talk about it to a member, he may give notice of withdrawal. If it were not



for this difficulty, this question, perhaps, would have been more discussed in the press. I have here a paper which was sent to me by a member, who was evidently somewhat alarmed at some of the remarks therein in reference to the necessity for legislation; for he had put down his name a day or two before, and had asked me to let him have some shares when I had some for sale, but when I afterwards informed him that I could transfer some to him, he declined to have them. The more we discuss this question out of doors, and the more it is discussed in the House, the more injurious it is to these societies.

3155. I think you stated that there were about 2,000 building societies in England with which you were acquainted?—Yes.

3156. But I observe that there were only 34 boards of directors who petitioned in favour of the Bill last session?—There were at least 80.

3157. Are you quite certain of that?—Yes; from the returns to the House; and there was only one petition against the Bill, and that was from a single individual. The reason why there were but a small number in favour of the Bill is, that many officers are afraid of taking any part in supporting the Bill, fearing that any movement might tend to create excitement and alarm. They know that legislation is necessary, but they are afraid to grapple with the question, because they are afraid of alarming their shareholders.

3158. How do you mean "alarming their shareholders"?—Because by raising the question you create a doubt; nearly all societies receive deposits, and if you raise a doubt as to whether a society has the power to borrow money, some of the members would probably give notice to withdraw their subscriptions.

3159. Then do you think that the shareholders in these societies are not at present aware of the state of the law as to borrowing?—They are not, generally.

(*Mr. Warner.*) I do not quite agree there with Mr. Higham. I have never had any hesitation in laying the question before my shareholders, to the number of 600. I have always discussed with them the question of borrowing powers, and I have always found them in favour of unlimited borrowing powers. I did not find any alarm when I brought the subject before them, and it may be so in other societies. I believe this to be the fact. I do not think that there is that doubt.

(*Mr. Higham.*) If the members generally knew that there was a doubt in consequence of these decisions it might alarm some of them. Last November my society appointed a committee, in accordance with section 9 of the 10th George the Fourth, chapter 56, and that committee agreed to adopt an addition to the rules, authorizing the directors to borrow money; but if the subject had been discussed by the 400 members present at the meeting, it might have injured the society.

3160. Do you think that the shareholders might be seriously alarmed if they knew that their directors could borrow perhaps a million upon a capital of 1,000l.?—If they knew all the facts, I do not think they would be alarmed; the directors are now liable where they have no rule, and it might ruin the directors to call upon them to pay the money, but not the society.

3161. I am referring to societies which have the full powers of borrowing?—Where they have the powers, and where there is no limit, it cannot be so, because they are within the law.

3162. Do you think that the shareholders know that the directors have those full powers?—We require them to take a copy of the rules, whether they read them or not. The figures given in the returns which I have laid before you are known to the shareholders.

3163. Is it the practice with all the societies with which you are acquainted to give a copy of the rules to every shareholder?—Yes.

(*Mr. Hoare.*) Yes. I may remark that the public in judging of the success of a building society do not take the amount of borrowing into consideration. They rather take the amount which is lent, and the

amount of payments in arrear, which I think is a very good test. I agree with Mr. Higham that it certainly would not do to put a doubt before a number of shareholders, particularly the poorer ones, because the great power which they have of withdrawing whenever they like must always be borne in mind.

3164. With regard to clause 11, should you suggest, supposing any limit to be placed by Parliament upon the borrowing powers, that it should form one of the points which should be set forth in the rules?

(*Mr. Higham.*) It would be desirable to set it forth.

3165. In the building society with which you are connected, how is any alteration of a rule made?—Under the 10th George the Fourth, chapter 56, section 9; all alterations are made in accordance with that section, which provides two methods of doing it—one is by reading a requisition at two meetings of the society, and the other, by appointing a committee for the purpose of making the alteration.

3166. Do you propose to re-enact the provision that the alteration shall take place at a general meeting of the members of the society?—No; that provision is not applicable now, because many societies do not have regular monthly meetings, and therefore we provide for it in a different form.

(*Mr. Hoare.*) The customary way of altering the rules is at two monthly meetings.

(*Mr. Higham.*) If there be no monthly meetings it can be done by a committee. In clause 11, subsection 3 of the Bill, it is stated that the rules of every society hereafter established shall set forth "The manner of altering and rescinding the rules of the society, and making additional rules."

3167. But it might be possible that an alteration should be made without sufficient publicity, and the registrar under your proposals would have no power to object to it?—That is within the range of possibility; we will consider what amendment we can make to avoid that possibility.

3168. Clause 16 relates to the rules of a society, and is partly taken from the Act of the 10th George the Fourth, chapter 56, section 8, but it omits any such provision as that to which I refer?—It does. I do not see such a provision in that section.

3169. Now take clause 17?—That is to permit a society to change its name. Difficulties have arisen in consequence of a society finding that they had a name similar to another society, and that they had no power to alter it. In the case to which Mr. Warner referred, another society called the "Sun" established themselves, and they could not alter their name because they had no power to do so, and they remain now in existence.

(*Mr. Warner.*) We threatened them with proceedings. They were willing to alter their name, but they found that they could not do it. The barrister said that he should refuse to certify them.

3170. (*Mr. Bonham-Carter.*) Do you mean that they could not call themselves "Sun Building Society, No. 2"?—Yes; they could not alter their name at all.

3171. (*Chairman.*) Then clause 18 provides that officers shall give security?—(*Mr. Higham.*) Yes.

3172. The 19th clause provides that they shall account for the moneys and books in their hands?—Yes.

3173. As to the nature of the security, I suppose that that is left to be provided by the rules of the society?—Yes; it is left to the parties who have the management.

3174. These clauses are taken from the 10th George the Fourth, chapter 56, are they not?—Yes, there is a precedent for nearly all of them in one or other of the Acts.

3175. And you substitute in clause 19 the county court for the court of exchequer?—Yes; section 14 of the 10th George the Fourth, chapter 56, does not apply now, and does not accord with modern legislation.

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3176. Then clause 20 provides for the investment of surplus funds?—Yes.

3177. There is a difference between that and the clause in the Act of the 10th George the Fourth?—Yes, there is.

3178. That Act defines the surplus funds of the society. It says in clause 13, "All such sums of money as shall at any time be collected, given, or paid to and for the beneficial ends, intents, and purposes of such society, as the exigencies of such society shall not call for the immediate application or expenditure of" may be invested in the "public stocks or funds, . . . or Government securities"?—Our clause is different, because we only have surplus funds when we cannot use our funds under clause 8.

3179. What is the difference? The clause of the old Act says, "As the exigencies of such society shall not call for the immediate application or expenditure of." If you have no applications for advances, the exigencies of your society do not call for the immediate application of your funds?—No, but there is no advantage in retaining those words, which we take it do not so well express the meaning as the clause we propose; that is to say, in a friendly society funds are accumulating for sickness or death, and it is necessary to keep them in hand, as the members may require them, but ours is only when we have money over and above what we want for advances, from deposits or loans, or any other source, and we want power to invest it.

(*Mr. Warner.*) They are now invested with our bankers, if we have any surplus funds.

(*Mr. Hoare.*) Or with kindred societies.

3180. Is not that rather a wide interpretation of the word "surplus?"

(*Mr. Higham.*) I think not.

(*Mr. Baynes.*) Any other investment of the money would be less profitable than the legitimate business.

(*Mr. Bonham-Carter.*) Do you consider that surplus funds include your permanent loan money?

(*Mr. Higham.*) Yes, all unemployed money.

3181. Then supposing that you had loans to the amount of 100,000*l.*, this clause would empower you to invest that money?—It would; of course that is the meaning of the clause. If we had more than we wanted, we should reduce the rate of interest. The "Birkbeck" Society have reduced theirs from 5 to 4 per cent., and the "Temperance" Society, I think, have reduced theirs to 3 per cent., with the view of inducing people to withdraw.

3182. As I understand it, you seek under one clause the power of borrowing to any extent, and by this clause you may choose to call anything surplus, and invest any amount which you borrow?—Yes, but those investments in all probability would always be at a loss. We are paying depositors a certain rate, and we should have to invest these moneys in Government stocks, or other securities, at a loss; so that it is not a part of our business, and would not be encouraged.

3183. I am only speaking of the legal power?—It would be so in effect, but practically of course it would not be so; it is of no use to us to receive money at 5 per cent., and invest it in consols at 3 per cent.

3184. But you take power in this 20th clause to invest it "upon real or leasehold securities, or in the public funds, or in or upon any parliamentary stock or securities, or in or upon any stock or securities, payment of the interest on which is guaranteed by authority of Parliament, or upon any other security, not being personal security, expressly authorized by the rules of the society?"

—Yes. I know of a society who have recently purchased some freehold ground rents with surplus funds; that is not legal, but they have done it, and they are of course obliged to take the risk, whatever it may be.

(*Mr. Hoare.*) There is almost an absolute necessity for that rule, or something of the sort, particularly in the case of terminating societies, because in the last two years they have not known what to do with their money; and it is generally the case that a man will not borrow to repay in two years, and therefore there

must be some means, especially with terminating societies, to allow them to invest those funds.

(*Mr. Higham.*) In the closing of my last terminating society I had about 10,000*l.* to provide, and the money had to be invested, as it came in from time to time, to be ready for paying out the investors at the dissolution of the society.

(*Mr. Baynes.*) The guarantee, I think, against an unlimited extension of that sort of business is, that practically all that business means a loss. You pay a party 5 per cent., and you would not get 5 per cent. on those securities.

(*Mr. Higham.*) And if you did, there would be no margin to pay for office or working expenses.

3185. (*Sir S. Waterlow.*) But Mr. Baynes quoted a case in which the depositors were only receiving 3 per cent?

(*Mr. Baynes.*) That society has about 70,000*l.* for which they have no use; they have put 20,000*l.* of it in consols, and the remainder is at their bankers; therefore they have reduced the rate of interest to three per cent., in order to induce parties to withdraw their deposits, so as to equalize it. Therefore you have the security that it will regulate itself in that way.

3186. (*Chairman.*) The next clause which we have not looked over is, I think, the 38th?

(*Mr. Higham.*) There is the 21st clause which Sir Roundell Palmer speaks of; he suggests that it would be desirable that we should communicate with the solicitor of the Bank of England with reference to it, so that it is hardly worth while to trouble you with his opinion. He says, "Clause 21 seems to me 'to be objectionable in its present form; there is no 'proper office' of the Bank of England for such a purpose; the officer to transfer must either be named in the Act itself, or specially appointed in each case by some court or other authority to be constituted by the Act." Upon that point we shall have to communicate with the Bank of England, and shall agree on the form with them.

3187. The 28th clause, providing for the punishment of frauds on the part of the officers in withholding money, is taken from the 10th George the Fourth, chapter 56?—Yes.

3188. It, I think, increases the penalty?—We have made it very stringent; we thought it desirable to do so.

3189. (*Mr. Bonham-Carter.*) Is that done to meet any particular cases which have come under your observation?—Not at all; we have no idea of any particular cases; it is simply that we think it desirable to make it as stringent as possible. We have adopted the views of our counsel with reference to several of these matters.

3190. (*Chairman.*) The penalty under the old Act was, I think, double the fraud committed, and 10*s.* costs; that is by the 25th section?—Yes; we thought it better to make it as stringent as we could in the interest of the shareholders.

3191. Your clause provides a penalty not exceeding 20*l.* and costs, and imprisonment in case of default?—Yes.

3192. I observe that you have not incorporated the section of the Friendly Societies' Act, which provides a penalty upon the circulation of false rules?—Every society must have its rules, and therefore we do not think that essential; a society—to be a society under the Act—must have had its rules enrolled, and if a person does a thing wrongfully, the ordinary law steps in. Counsel thought that that clause was not necessary.

3193. Do you not think it desirable to have a special clause to prevent deceit of that kind?—There is no objection to its insertion, if thought desirable, but we did not think it necessary.

3194. Referring to the officers,—are the officers of the society with which you are acquainted in the habit of holding any office in other building societies?—Very many are connected with several societies. Mr. Hoare, for instance, is connected with six or



eight, and I have had several. They are a source of great strength one to the other, members recommending each other. When we get to the large permanent societies they are expansive, and there is no occasion for a series of societies.

3195. Take clause 31, which provides for arbitration—is it possible that the directors of one society might be chosen as arbitrators in the case of another society?—It would be possible; they are specially prohibited from being either directly or indirectly connected with the society. We prefer having persons of experience; in 25 years I have only had one arbitration case, and we found it there a great advantage to have persons of experience.

3196. Might there not be a personal feeling, which might be disadvantageous to the member who required arbitration?—I do not think it at all probable.

3197. Where is clause 31 taken from?—From the 10th George the Fourth, chapter 56, section 27, with a little alteration. I might have mentioned before that many of the alterations made from the original copies of the Bill, as presented to the House, were adopted at a general conference held on the 24th of June at the Westminster Palace Hotel, of representatives of Societies from different parts of the country, and every question was almost unanimously agreed to, except as to the borrowing powers.

3198. There is no provision in these clauses relating to arbitration, that the court shall award costs? It follows, I think, and it would be set forth in the rules.

(*Mr. Hoare.*) The rule generally specifies the amount.

3199. Are you advised that it would be sufficient to leave it without specifically mentioning it?—(*Mr. Higham.*) We were advised that that would be sufficient.

(*Mr. Warner.*) It was supposed by the committee, and by counsel that that would be part of the award.

3200. (*Mr. Bonham-Carter.*) Have you any minor members?—

(*Mr. Higham.*) Yes, several.

(*Mr. Hoare.*) Minors do invest money, and come and withdraw money.

3201. At what age do you accept minors?

(*Mr. Higham.*) Sometimes parents invest money in the names of their children. But as a rule, they range from 14 or 15 years of age.

3202. Would there be any practical grievance in limiting the age to 16?—None whatever.

(*Mr. Hoare.*) That would prevent any children having shares unless in their father's name. We had a dispute between a boy of 14 and his father, and our solicitor thought that we ought to take the boy's signature. The father claimed the money—the boy had paid the money to us, and we thought that we were bound under the Act to give the boy the money.

3203. Did the father complain?—Yes; it was really the boy's money as far as we knew; the father had not paid it.

(*Mr. Warner.*) If any alteration was made, it would be desirable to have the joint names up to the age of 16, and then to allow a youth after 16 to have the money put in his own name. The question, in the form in which it has been asked, would, I think, prevent the having any minor under 16 in the society. I have one who is only two months old.

(*Mr. Hoare.*) It rather applies to those of 14 or 15.

3204. (*Chairman.*) I see that the Bill provides in clause 36 that the society shall make annual audits and statements of the funds to the members?—

(*Mr. Higham.*) Yes. On that subject I have a few remarks from Sir Roundell Palmer, in which he says, "In clause 36, the 'general statement' (inter alia) 'of the funds and effects of the society' 'required to be annually made and sent to the registrar, should (I think) be expressly extended to the 'state of investment of such funds and effects.'" In the discussion upon that matter, Sir Roundell Palmer suggested verbally to us that we should describe how the money was invested, so that it might be readily

set forth what was advanced on mortgage, and what was not; to which we assented.

(*Mr. Hoare.*) And which is the custom.

(*Mr. Higham.*) That is the custom. Sir Roundell Palmer says that he thinks it "should be expressly" extended to the state of investment of such funds "and effects, so as to show (not in detail, but in the 'aggregate,' the value at the date of each such statement of the aggregate of the mortgage securities held by the society; and in like manner the value of the aggregate of each other particular description of securities in which any part of the funds may then be invested." He closes his letter by saying, "In all other respects I approve the amended Bill."

3205. Do you think that it would be well or possible to lay down forms in which the accounts should be returned to the registrar, and should be laid before the members of the different societies?—I do not think that it would, because of the different constitution of the societies. We find a great difference in them. The returns applied for by the Home Secretary do not give the information which is sought. I think that it would be very difficult, seeing that the societies are so very differently constituted, to have any return suited to all. This clause is one suggested by us. We think it right, as we ask for a consolidation of the Act, that we should be prepared to assist in furnishing all information necessary, and that the officers should be bound to make returns to some recognised authority.

3206. You mean that the provision that a copy of the statement should be sent to the registrar is a provision of your own?—Yes.

3207. The rest of the clause was in the Act of the 10th George the Fourth?—It is provided that there shall be annual audits, but we are not now required to make any returns.

3208. You have mentioned different classes of societies; could not a form be laid down for each class?—I should doubt whether it could, but I suppose that it might be; if we could render any assistance in doing it, we should be most happy to do so. In the forms which we prepared for those returns which we obtained, we set forth what we thought material, and we did not find much difficulty in getting those returns.

3209. Those returns have only reference to particular points; they are not full statements?—They are not full statements; but the more particulars you require, the greater the difficulties which will arise. So long as there was a return of the liabilities and assets, and the different modes of investment, that would probably meet all that was required. Clause 37 is almost the same as section 37 in the Act of the 10th George the Fourth, chapter 56; it is very nearly verbatim. Clause 38 we should have to withdraw and alter, because the Act of Parliament there mentioned has been repealed by the Stamp Act of last session. I do not know whether we might not give up that question altogether; we put it in in order that we might have a complete consolidation of the law.

3210. The clause there mentioned exempted you from stamp duty under the sum of 500*l.*?—Yes.

3211. But if this Bill had passed as it stands, that limit would have been entirely ignored?—Yes; but we put it in knowing that the question would be raised. An objection has been very strongly urged, especially on the part of terminating societies, to the removal of the exemption.

3212. (*Mr. Bonham-Carter.*) With regard to clause 37, is not there a great alteration from the existing state of the law?—I think not.

3213. I think you stated that you intended to consolidate the law?—The object of this Bill is to consolidate the law.

3214. The clause of the 6th and 7th William the Fourth enacts that no rules nor any transfer of shares shall be liable to or charged with any duty?—Yes; but it also incorporates the section of the Act of the 10th George the Fourth, chapter 56, and consequently

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*Mr. W. R.*  
*Warner,*  
*Mr. W. S.*  
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section 37 of that Act is included in it. There have been many decisions confirming the exemptions from stamp duty.

3215. Supposing that you re-lend a large sum of money which you have received from loans, there is no stamp whatever upon that?—Yes, there is a stamp now over 500*l*. That exemption was taken away by the Act of the 31st and 32nd Victoria, chapter 124; a clause was put into an Inland Revenue Bill at the end of the session, and we did not know much about it, and the clause was passed; it took away our exemption under 500*l*. That is now re-enacted with a slight alteration in the Consolidation Stamp Act of last year. Therefore we are now exempt upon all sums if the advance is under 500*l*; if it is over we have to pay the stamp duty.

3216. (*Chairman*.) Under the present law, how are the repayments of the unexpired mortgages of a terminating society received?—I scarcely understand the term "an unexpired mortgage."

3217. One not fully paid up?—Before the society can be closed, all the mortgages must be paid off.

3218. Suppose that the society wishes to close earlier?—It cannot.

3219. (*Sir S. Waterlow*.) Without winding-up?—We cannot wind up until the full time for the repayment of the advances has expired. We lend the money to be repaid in a given period of years, and cannot require a borrower to pay all the money before that time has expired.

3221. (*Chairman*.) The only purpose for which, under those circumstances, the society would continue would be to receive these repayments?—Yes.

3222. Do you think that it would be well or not that some public officer, say the registrar, should be appointed to nominate some person to receive those payments, in order that the society should cease to

The witnesses withdrew.

Adjourned to Friday next at half-past 11 o'clock.

Friday, 17th March 1871.

PRESENT :

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

SIR SYDNEY H. WATERLOW.

JOHN BONHAM-CARTER, Esq., M.P.

EVAN MATTHEW RICHARDS, Esq., M.P.

CHARLES SAVILE ROUNDELL, Esq.

EDWARD WILLIAM BRABROOK, Esq., examined.

E. W.  
Brabrook, Esq.

17 Mar. 1871.

3224. (*Chairman*.) What position do you hold with relation to building societies?—I hold no official position with relation to building societies, being only the Assistant Registrar of Friendly Societies; but since Mr. Stephenson's appointment as barrister to certify Savings Banks, under which he certifies the rules of Benefit Building Societies, I have had the honour to assist him in that capacity also.

3225. Are you acquainted with Mr. Stephenson's views in the matter?—I believe that I am in full possession of them. I have had some conference with him since I was summoned to attend the Commission, and he has authorised me to speak in his name in answer to your inquiries.

3226. Can you tell us what are the different classes of these societies?—The broad distinction between the classes of benefit building societies is that they are divided into permanent and terminating societies; there may be subordinate distinctions, but these are the two broadly-defined classes.

3227. Will you describe shortly the difference between the two?—In a terminating society, all the members start from the same date, and while some receive their advances early in the history of the society, others are obliged to wait till the end of it before they get their money; the end of the society is

exist?—Certainly not; the investors could not have the money which has been advanced until the repayments have been received. The investing members who have not withdrawn their subscriptions must remain until all the borrowers have paid; in terminating societies the payments usually all expire at a certain time. In some cases the societies are dissolved when a given amount is realised, and in societies more recently established, the payments cease on a certain day. My last terminating society was to cease on the 1st of February 1870, and the money was forthwith distributed amongst the investors.

(*Mr. Hoare*.) I know of a case where a society commenced and only lent a very small sum, and it did not prosper at all, and the society soon broke up; parties withdrew their shares, and the question was, who was to be the proper party to receive the sums of money during the remaining seven years upon the nine mortgages which had been effected; the society had really no existence, though nominally it had an existence. They were compelled to make a compromise with the men; it was the only way of arranging the matter, and they drove a very hard bargain about it, which they naturally would do.

(*Mr. Higham*.) I was consulted within the last month with reference to a society which did not wish to go on, where there were eight or nine mortgages, and I advised them that they must come to terms with the mortgagors, as they could not compel them to pay before the periods for which the advances had been made.

3223. In such a case as that, do you not think it better that there should be a public audit?—I think not. I think that it is much better for them to compromise between themselves. When a society is going to the bad, the sooner it is finally wound up, the better for all parties.

the end of each member's connexion with it. In a permanent society, a member joins at any time, and subscribes for a share, and the completion of his share is the end of his connexion with the society; the society going on with such shares as are uncompleted.

3228. What is the relation of these societies to the certifying barrister in England?—He certifies them merely, he has nothing more to do with them, beyond certifying their rules.

3229. Does he register them?—No; no register is kept by the certifying barrister.

3230. Is there any register of these societies?—Duplicates of the rules are forwarded to the clerk of the peace, and filed by him; even he does not register them, but they are accessible, they are in his custody, and any person who desires to see the rules may inspect them at his office.

3231. Then do you keep a register in each county with the clerk of the peace in that county?—The only thing approaching registration is the enrolling of rules by the clerk of the peace.

3232. What is the form of the certificate given by the barrister?—"I certify that these rules are in conformity with law, and with the provisions of the statute 6th and 7th William the 4th, chapter 32."

3233. What is the practice with regard to resolutions



appointing trustees?—In many societies a clause is inserted in the rules that any resolution appointing trustees shall be certified by the barrister, and enrolled as a new rule of the society. In those cases we receive them, although they are not in point of fact new rules, and we certify that they are in conformity with law, and send a copy to the clerk of the peace.

3234. Can you give the Commission any statistics as to the number of building societies?—We are not in possession of any statistics whatever. We know that we issue certificates every year averaging about 200, or from that to 250, of rules of new societies, and that has been going on ever since the year 1836, but we know nothing of the future history of those societies after they are once certified, or how many are in existence, and we receive no returns from them, and are in possession of no information beyond the mere fact that they have been certified.

3235. Is there no entry in the books of your office of the total number which you have certified?—We keep a memorandum book of the certificates which we issue, which we count up from time to time, and the result of that is, that from 200 to 250 a year are certified by us.

3236. (*Mr. Bonham-Carter.*) Is the memorandum which you keep of such a character that if any one connected with the society were to apply to you with reference to what took place at the time of its registration, you would be able at once to refer to it?—Not at all; it is merely a memorandum that a certificate was issued to such a society on such a day, and there is no further circumstance whatever; there is no indexing, no arranging, and no registering in any way.

3237. (*Chairman.*) Have any returns of the number or classes of these societies been presented to Parliament through your office, or through any other public office?—A return was moved for, I think, in the year 1859, by Mr. Sotherton Estcourt, from every building society, of the particulars relating to its capital and its investments, and so on. The return was in due time presented, but it contained the accounts of comparatively few societies, and was not a return which could be depended upon; the societies were not compellable to send their returns, and very few did comply with the requirements of the House.

3238. Can you give us any information as to the state of the registry of building societies in Scotland or in Ireland?—I believe it to be precisely the same as our own, but I have no official knowledge on the subject. The advocate in Scotland and the barrister in Ireland are frequently in communication with us on any point of difficulty which arises in their practice, and we are on very good terms, interchanging information and so on; but they are entirely independent of the barrister in England, and act on their own judgment in every respect.

3239. With regard to England, there is an old provision, I think, in the 10th George the Fourth, chapter 56, that if the barrister refuses to certify the rules of a building society, an appeal lies from his decision to the Court of Quarter Sessions?—Yes.

3240. Are you acquainted with any cases in which that provision has been acted upon?—I do not think that it has ever been acted upon. I never heard of a case in which it had been; the remedy by writ of mandamus from the Court of Queen's Bench would probably be preferred.

3241. Have any cases of that kind occurred?—A few cases of the kind have arisen with regard to friendly societies. I do not at this moment recollect any leading case with regard to benefit building societies.

3242. Are you acquainted with the bill which was brought in last session by Mr. Gourley upon the subject of benefit building societies?—I was consulted in the drafting of it by the committee who were concerned. I was their counsel.

3243. You refer to the committee of the building societies?—Yes, the committee whom you had under examination, I believe, last Friday.

3244. Did they consult you as representing the public office, or in a private capacity?—Merely in a private capacity, as their draftsman to settle the bill for them on their draft.

3245. One of the objects of that bill was to establish a new system of registration of building societies?—Yes.

3246. Can you describe what that system was, and why the alteration was called for?—It was not precisely the same system as is now in force with regard to friendly societies, under which the registrar examines the rules, and certifies that they are in conformity with law, nor was it precisely the same system as Mr. Lowe proposed to introduce, of accepting any document purporting to be a set of rules, and registering them on the responsibility of those who offered them. Under this proposed bill the registrar was to examine the rules, not to see whether they were in conformity with law, but merely to ascertain that they contained certain specified provisions; and on their containing such provisions, he was to be bound to give his certificate, and the rules were to be binding only to the extent to which they were in conformity with law.

3247. The provisions to be contained in the rules are comprised in the 11th section of that bill?—Yes.

3248. Did you propose to leave any discretion with the registrar, as to the kind of provisions which the rules contained? For instance, supposing that under section 2 of that clause it was provided, in the rules of any society, that the purposes to which the funds of the society should be applied, and the manner in which they were to be invested, were to be in some mode which the registrar might deem unsatisfactory, would he for that reason have the power of refusing to certify the rules?—The intention of the promoters of the measure was that he should not, but that, provided that a clause existed in the proposed rules purporting to disclose the purposes to which the funds were to be applied, and the manner in which they were to be invested, he should register the rules, leaving it on the responsibility of the society whether they were in conformity with law or not.

3249. Therefore the rules might contain provisions not in conformity with law, or with good policy, and yet the registrar would be compelled to certify them?—Yes, to accept them and register them.

3250. Then what, in that case, would in your opinion be the value of his certificate?—It would simply place the rules in a public deposit where they would be accessible, but all questions relating to the validity of the rules would be left to be determined by the court, as defined by the Act.

3251. But that was not contemplated by the legislature in the provisions which originally required the certificate of a registrar to be given?—The present certificate of the certifying barrister is, that the rules are in conformity with law, and the proposed provisions of this bill varied that, by not requiring from him any certificate that the rules are in conformity with law; but merely requiring him to register them, leaving the question whether they are in conformity with law or not to be determined by the court.

3252. Might not that object of mere registry be equally well arrived at by the society returning their name to the registrar, without any rules at all?—The rules would be in the registrar's custody for inspection by any person.

3253. What would be the result of any such inspection?—They would be in the custody of a public officer, and would be evidence when taken out of his custody, or extracts from them, and they would be some check upon any person offering rules on behalf of the society, and would enable anybody to ascertain whether the rules so tendered were the actual rules on which the society was constituted or not. That would be about the extent of the advantage which I imagine would be derived.

3254. I do not think that you answered the second part of one of my previous questions, as to the reasons which induced you to propose this alteration?—The

E. W.  
Brabrook, Esq.  
17 Mar. 1871.

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17 Mar. 1871.

proposal is not mine, and I should be exceedingly sorry to say anything which would imply that Mr. Stephenson approves of it, because I do not think that he does. I was instructed by the committee to draw this Bill, and I drew it as a mere draftsman. They thought that some questions, as to such and such a rule being certified or not certified, had been determined unsatisfactorily to them by the certifying barrister, and they thought that the best way to get out of that difficulty was to have no certifying barrister at all, that is to say, not to require the barrister to certify the conformity to law of anything, but merely to see that the rules contained certain definite provisions, and then register them for what they were worth. That was the view taken by the committee.

3255. Therefore, as the barrister in certain cases had decided against them, they preferred that for the future he should not decide at all?—Yes, that was their view, and of course they were justified in holding it, and I, as their draftsman, carried it into effect.

3256. Another object of the bill was to consolidate the existing law with reference to building societies?—That is to say, it did not introduce any fresh organisation; it did not, for instance, make them corporations, and destroy the present system of trustees, and other things of that kind. As far as was practicable, it adopted the provisions of the present law, and merely re-enacted them.

3257. Have you ever given any consideration to the question, whether these societies might not be more beneficially incorporated under the Industrial and Provident Societies Act, with limited liability?—It is a difficult question. The incorporation would set them free from a good deal of inconvenience which they now have with respect to trustees; but at the same time it would authorise them to deal rather widely with their mortgage deeds, and other things of that sort, and it is a question whether the existence of trustees is not to a certain extent a check upon dealings with the property of the society, which it is well to maintain. For some reasons it would be convenient to have them incorporated, but for others I fancy that the present system has its advantages.

3258. What do you mean by dealing rather widely with their mortgage deeds?—Depositing them as security for loans, and other things of that kind. A well-advised trustee will not now consent to anything of that sort, because he knows that he has no power. He is trustee merely for the purposes which the rules certify, and has no authority to deposit the deeds of the society as a security for an advance or loan, whereas probably, if no trustees were necessary, and there was merely a committee of management acting on behalf of the society as an incorporated body, they would do so without hesitation.

3259. You think that the committee of management would be more ready to exceed their power than the trustees?—Not necessarily so, but the committee of management would simply direct the seal of the company to be affixed for what it was worth. A trustee acts to a certain extent on his own responsibility in relation to these matters, and I am not certain that it would not be desirable to keep to the system of personal trustees with that object.

3260. In your opinion would the committee contract improvident loans, or would they simply act *ultra vires*?—I think that the tendency might be for them to act *ultra vires* now and then, when they wanted money for the purposes of the society, and the most convenient method of getting it was depositing their deeds, and that they would deposit their deeds if they were not under a certain personal responsibility as trustees for such an act.

3261. (Mr. Roundell.) Would not the risk of an *ultra vires* dealing on the part of the officer of an incorporated society have as great a deterrent influence as if such an illegal proceeding were undertaken by trustees?—The risk would be equal; but my doubt is whether it would have an equally deterrent influence. It seems to me that the chances are, when a man is requested to sign the document in the capacity of

trustee, that he will consult his solicitor to know whether it is a document which he ought to sign, whereas when a committee meet round a table, and they know that the exigencies of the society require such and such money to be provided, and that the most convenient way of getting it is to borrow it on the security of the deeds, they will say, "Of course we must deposit the deeds with the bankers,"—they will say, "That is the ordinary course of business."

3262. You rest upon the individual responsibility of the trustees?—I think that it has a much greater weight.

3263. (Mr. Richards.) I believe that the present trustees do not sign a deed except by the advice of the solicitor of the society?—And if necessary of their own solicitor too. A wise trustee would not always be contented with the solicitor of the society.

3264. Is there any provision made in the rules of building societies generally, whereby a trustee would be enabled to pay out of the funds of the society any costs to his private solicitor?—Not at all, but I am speaking merely as a matter of prudence; if I were a trustee I should certainly do so, and I assume that the trustees of building societies generally would be likely to do so.

3265. The ability to borrow money by the power of the seal would, in your opinion, tend very much to lessen the security of the society, through the absence of the supervision of a solicitor?—Not necessarily so. My view is that it would be done at a board meeting, and one knows how things are done at board meetings after discussion, and by the voice of a majority, instead of being done calmly and carefully by the trustee, considering his personal responsibility in the matter.

3266. And it would be done by the directors without a formal deed?—It would probably be done without a formal deed, as it is sometimes done now, I have, no doubt.

3267. Then the result might be that the resolution might be *ultra vires* and improvident?—Yes, and the directors would of course be responsible for the consequences; but that responsibility would not be present to their minds at the time when they were doing it.

3268. (Chairman.) There are other provisions in the bill which are, I believe, amendments of the existing law?—A few grievances were remedied, or proposed to be remedied, by this bill. One is, that at present societies have no power to change their names, and very often desire to do so. Another is, that there is no effective provision for winding up; and a clause was inserted to enable that to be done. The third remedy of a grievance, on which the greatest stress was laid by the promoters of the measure, is the granting a power to borrow—that is done by section 9.

3269. What was the reason which induced the promoters of the measure to lay so much stress upon that amendment?—It is a matter almost of necessity, in a permanent society, at any rate, that it should have means of supplementing the contributions of its members by funds from outside. All the societies do borrow, whether they have power in their rules or not, simply because they find that their funds do not accumulate fast enough to lend out money to the members who desire advances, without the assistance of some funds from outside. And, of course, doing that, they wanted to have legislative authority to do it.

3270. I understand you to say that some of the societies have power in their rules to borrow?—Yes. Ever since the decision in the case of Laing v. Reed, no objection has been taken to certifying a rule granting power to borrow; but previously to that decision, since the year 1856, if I recollect rightly, objection had been taken to certifying such a rule. Accordingly those societies which were established between 1856 and 1869, if they have not taken such a rule since 1869, have no rule authorising them to borrow money. They do it, nevertheless, in many cases.

3271. Between those dates which you have mentioned, did the certifying barrister, in every case, refuse to certify rules which gave the power of borrowing?—



In every case it was his intention to do so; if any such rule slipped in, it was *per incuriam*.

3272. In the original form of building societies, was it their practice to borrow in this manner?—I don't think it very much. I should think that it is only since the permanent societies have been established that anything like an extensive borrowing has gone on. I should think that in the original form they kept to the contributions of the members, and probably many of the terminating societies now do so.

3273. Would it, in your opinion, be necessary to a terminating society that it should borrow in this manner?—Not always to a terminating society; though they would find it often very convenient, because the more money which they can get out in the earlier years of the society the better chance they have of realising their expectations, when the time comes to terminate it. It is very difficult to get rid of money in the later years of a terminating society, and therefore the more they can do by borrowing money in the earlier years to be repaid in the later years, the better for them.

3274. You mean by its being difficult to get rid of money, that it is difficult to find persons who will take loans, repayable in such large instalments as must necessarily be the case when a terminating society approaches its end?—Clearly; in the later years for a man to give security for a few years makes the loan of no value to him.

3275. Of late years have terminating societies become unpopular, and have permanent societies taken their place?—Not altogether, but to a very great extent, permanent societies have taken the place which was occupied by terminating societies. Comparatively few terminating societies have been recently started, with the exception of the class of mutual societies, of which I suppose I shall have an opportunity of speaking presently.

3276. What is the reason of the change?—The permanent societies meet the difficulty which the terminating societies found as they got to their later years, namely, the difficulty of getting rid of their money. Of course, if new members came in starting afresh, mortgages could be granted for longer terms, and the society would, in point of fact, become a permanent one.

3277. It seems that, in your opinion, there is nothing in the idea of a building society which is opposed to borrowing capital from strangers?—I think not. Of course, after the case of *Laing v. Reed*, one is not entitled to have an opinion upon that question, but I do not believe that borrowing money was really contemplated by the Act of 1836; it seems to me that if it had been some provision would have been made, and some restriction or regulation of some kind would have been inserted in the Act, to deal with so important a question as pledging the credit of the society for borrowed money. But all that is concluded by the case of *Laing* against *Reed*. The Court of Appeal has determined that borrowing money is legitimate business of the society, and it is not possible for one to have an opinion upon the subject.

3278. But although there is no restriction as to borrowing from strangers, I think that the present law forbids any loan of money to any person who is not a member?—No, the law allows of lending money on security of real estate out of the surplus funds of the society, and that is done to a large extent. In the case of the National Freehold Land Society, which is a benefit building society, I was told the other day by some one connected with them who called at our office, that the greater part of their loans are loans of the kind which I have named; that the persons who come to borrow object to be considered as shareholders. They say, "No, lend us the money as a mere mortgage," and it is accordingly done as if they were strangers, and the consequence is, that it is done out of the surplus funds of the society, there being no member requiring that accommodation.

3279. But practically, however, it is not done out of the surplus funds, but out of the funds?—Exactly so, it is done just as with an ordinary member; and I

do not suppose that they give preference to a member, although they would be bound in law to do so, but the point would not be raised.

3280. The intention of the law is that only the *bona fide* surplus of the society shall be lent in that manner?—Undoubtedly.

3281. Is any alteration in that law proposed in this bill?—The clause as to investment is modified from that in the Act of George the Fourth; it enables the trustees to "invest any portion of the surplus funds of the society upon real or leasehold securities" (which would warrant the loans I am speaking of), "or in the public funds, or in or upon any parliamentary stock or securities, or in or upon any stock or securities, or payment of the interest on which is guaranteed by authority of Parliament, or upon any other security, not being personal security, expressly authorised by the rules of the society."

3282. But it still confines such loans to surplus funds?—It does.

3283. Therefore, even under that proposed clause, the society of which you have spoken would be acting contrary to law?—I am not prepared to accuse them of acting contrary to law, because they would say that there are no claims on the part of the members; but they are certainly sailing very close to the wind.

3284. In your opinion, is no more careful definition of "surplus" required than is provided by this clause?—Any more careful definition would either declare these practices to be unlawful, or would authorise them, and I do not exactly know which of those alternatives to accept.

3285. How would you define the words "surplus funds"?—I assume them to mean all the funds which, coming in in the regular course of the society's business, are not called for by members who desire to borrow.

3286. What is the regular course of the society's business?—I mean the subscriptions of the members on their unadvanced shares, or the repayments of the members upon their advanced shares; but I should certainly think it an extraordinary definition of "surplus funds" to suppose that money raised upon loan could be surplus fund. The duty of a society having a surplus, and having at the same time money upon loan, is to repay that loan in the first instance.

3287. In answer to some of my previous questions, I understood you to say that all these societies now, as a matter of course, are in the habit of borrowing?—Most of them.

3288. With regard to them, therefore, might not the loans which they thus obtained, be considered as funds obtained in the course of their regular business?—They do not become funds of the society, they become merely the funds which the society has borrowed in aid of its ordinary funds, and if it ceased to require the aid of those funds, it certainly ought to discharge its debts and liabilities in the first instance, and not to invest them under the right of investing surplus funds; it then becomes a mere agency for investment, and under that clause you might transact almost any kind of business.

3289. But the view of the societies now is hardly that those loans are borrowed by them in aid of their ordinary funds, is it?—I am afraid that it is not, but that is the only legal view which I think can be taken. The power to borrow is not an unlimited power to borrow, to be applied in any manner in which the society may choose to apply it; it is a power to borrow for the purposes of the society, and for those alone.

3290. But that view is rather the form of this bill, is it not?—I am afraid that it is, but I should be very sorry to assent to it.

3291. Mr. Higham, the other day when he was examined by us, handed in a paper showing how a society, having advanced the sum of 10,000*l.*, could by the repeated exercise of their borrowing powers on that amount, obtain in the whole an amount on loan of nearly 30,000*l.*, simply by the process of borrowing and lending, continued upon this sum?—Unless they counted the same money twice or three

E. W.  
Brabrook, Esq.  
17 Mar. 1871.

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17 Mar. 1871.

times over, I do not see how it could be done. They might get a number of loans of which the original capital advanced amounted to 30,000*l.*, but the amount actually due upon those loans would be much less than 30,000*l.*, and it would be simply in point of fact the amount of capital which they had employed in the business. You cannot make capital by any means of that kind. But perhaps my answer to the question is founded upon a misconception. The rule which was approved in the case of *Laing v. Reed* was, that the total amount to be borrowed under that rule should not at any one time exceed two-thirds of the amount for the time being secured by mortgage to the society. If the society has 30,000*l.* secured upon mortgage, it must not borrow in the whole more than 20,000*l.*; that is the restriction which was made in the case of *Laing v. Reed*; and if that is what Mr. Higham meant, there is no doubt about its correctness.

3292. You will observe that Mr. Higham stated 10,000*l.* as the assumed capital?—That is, I assume, that the payments of the members amount to 10,000*l.* Then you may advance another 20,000*l.* out of borrowed money, if you can get the borrowed money; that is clear from the case of *Laing v. Reed*.

3293. Making 30,000*l.* in all?—Yes; if that is what he meant, I agree with him.

3294. Is there anything in this bill which in any way regulates the power of borrowing?—Not at all, nor does it define what security is to be given, nor does it give any first charge or preferential claim, or in any way regulate it. It gives a naked power to borrow money.

3295. In your opinion would it be advisable that any limit regulating the power of borrowing should be inserted?—I think that some limit is essential, and I think that the limit which was approved in the case of *Laing v. Reed* carries us to the extremity of liberality in that respect.

3296. Will you state what that limit is?—It is that two-thirds of the total amount secured by mortgage to the society may be borrowed; that is to say, if you raise 10,000*l.* from your members, you may raise 20,000*l.* from the outside public. It would have seemed at first sight that a more suitable limit would have been some proportion based on the contributions of the members. If the rule had said, not more than 50 per cent. of the amount raised from the members, or something of that kind, it would have seemed to be a very reasonable and fair limit; but this goes to a much greater extent, for it goes to twice the contribution of the members, so that the loss of 30 per cent. upon the security would swamp 90 per cent. of the contributions of the members.

3297. What do you mean by the "contributions of the members?" Do you mean the contributions of the advanced members, which are secured by mortgage deeds, or do you mean the contributions of all the members of the society, unadvanced as well as advanced?—The contributions of the advanced members are mere repayments of their loans. I mean by the "contributions of the members" that which forms the capital stock of the society.

3298. But with regard to unadvanced members, has the society any security that they will not withdraw, and that therefore their contributions will never come in?—I am speaking entirely of the past contributions, not of the amount which the members have covenanted to contribute in the future. I speak of realised capital, namely, the amount paid in by the members.

3299. The amount which the investors have paid in may be withdrawn by them, if they choose to withdraw from the society?—Yes, if the society has funds to pay them. If the society's funds are employed in lending out, and if there are applications for lending out, the rules always reserve to the society the right of restraining the withdrawals until the funds are set free for the purpose.

3300. You are in that answer speaking only of terminating societies, are you not?—I am speaking of all classes of societies. They always reserve the right to the society to restrain withdrawals, as long as it

finds sufficient employment for its funds in actual advances which are granted or applied for.

3301. Your view in this matter accords with that of Mr. Higham, does it not, namely, that it should be limited to the amount of subscriptions received?—Yes; that it should be measured by the amount of subscriptions received, is the same suggestion as I made just now. If limited to them, as he suggests, it would then be half instead of two-thirds.

3302. Would you suggest that there should be a general limit to these borrowing powers of societies, or that the regulations upon the subject of borrowing should be set forth in the rules of each society?—I think that it would be essential that there should be a general limit. It might alter the practice of some societies, and cause some inconvenience to those who already do transcend all limits, but for the sake of public confidence in these societies generally, I think it desirable that a prescribed limit should be set forth in the Act of Parliament, and that it should not be left to the rules in each case.

3303. You think that it would be possible to prescribe such a limit as should be fairly applicable to all kinds of societies?—I do not think that any limit can be prescribed which would meet every case of an existing society. There are many well-conducted societies, which borrow very largely in excess of anything like what would be a reasonable limit for general use, but I think that those societies must sacrifice their practice to the public good, and to the security of the societies generally.

3304. Supposing Parliament to lay down such a limit, what do you think should be done with societies which have exercised their borrowing powers to such a large extent already?—I would put in a saving clause for all past transactions. You cannot disturb existing arrangements.

3305. But would you allow them to go on in the same practice, or would you limit that practice in future?—I think that they should be prohibited from contracting any fresh loans until they had brought down their capital to the limit prescribed by the Act.

3306. (*Sir S. Waterlow.*) When you speak of limiting the borrowing powers of a building society, do you mean to limit the amount which they shall take on deposit?—The Bill here uses the words, "may receive deposits or loans," but our present practice in certifying rules is not to recognise the word "deposit" at all, but always to strike out the word "deposit," and to give merely the naked power to borrow money. Now, under that power to borrow money, I suppose there is nothing to prevent their receiving money in any sum, and in any shape, and upon any conditions as to payment, either by way of cheque or otherwise, as these societies do; but I do not think that anything in the clause which has been approved by the Court of Appeal in the case of *Laing v. Reed*, authorises the entering upon the business of a deposit bank. It is very difficult to devise any clause which will put a stop to that, or draw the line, because all these deposits are in point of fact loans; they are only loans of a peculiar character; but the business carried on by several societies is carried on without any real authority in any rule or Act of Parliament to do so.

3307. Is it within your official knowledge that the majority of the new building societies frequently commence by taking deposits to a much larger amount than the amount of their capital subscribed by members?—It is certainly within my personal knowledge that they do.

3308. When you say that the borrowing power should be limited, do you mean that you would prohibit future societies, and existing societies, from future taking money on deposit in excess of two-thirds of the amount subscribed by their members?—I would prohibit their taking anything in excess of the amount prescribed by the Act of Parliament, whatever that may be.

3309. Then in fact you consider that this system of building societies acting as deposit banks is an



unsecure system, and ought really to be very much limited in its action?—I think that it ought not to be encouraged.

3310. (*Mr. Roundell.*) With regard to the surplus funds, provided for in the 20th section of the bill, quite apart from the question of the borrowed moneys, is it quite plain that a clear line can be drawn each year to show what is surplus or not—I mean upon the ordinary transactions of the society?—No, it would be a very shifting thing; money would be surplus whenever it was not applied for loans and mortgages.

3311. Would it then practically depend upon the yearly balance sheet?—No, I think that it would depend upon the condition of the surplus funds; that if there happened to be a few hundreds in the bank not applied for by members desiring to borrow, and not required to repay loans, that money should be invested.

3312. Then would not the words of the 20th section give an amount of latitude which is undesirable?—They give a great deal of latitude, and I am not sure that it would not be judicious to stop at the word “funds” in the third line of the 20th clause, and only allow investment upon real or leasehold securities, or in the public funds. I think, with respect to real or leasehold securities, that if they take mortgage security it matters very little whether they take it from members or from strangers; they get the security in either case, and they probably have a better remedy against strangers than against their members, because they can recover the whole of the money upon proper demand. It is a question whether the only other suitable investment for surplus funds might not be contended to be the public funds.

3313. My question had rather reference to whether the expression “surplus funds” does not give a degree of latitude which is undesirable?—It gives a degree of latitude; but I see difficulty in drawing the line much closer. I think that the societies must be left to interpret what their surplus funds are, at their own risk.

3314. Without entering into the more general question, are there sufficient securities at present with regard to these building societies, in the nature of balance sheets and otherwise, to show what is a surplus fund or not?—There is no provision whatever for the production of balance sheets, beyond the clause for annual audit, which is in the present draft.

3315. Then practically surplus funds would be something quite within the uncontrolled discretion of the officers for the time being?—Practically it would be so.

3316. (*Mr. Richards.*) Would you define the maximum rate of interest which you would allow on any deposits received?—I think not. I think that that should be left as a matter of contract.

3317. And you would not prescribe any minimum to which a loan should be made?—No, I think that all those things should be left to the discretion of the society in each case.

3318. At the present moment, the operation of the society to which you have referred, namely, the National Freehold Land Society, is that it is really an immense agency for investment?—Precisely, it is so. I speak of it freely, because it is a society of undoubted respectability, and one may criticise it freely; it is an organisation for investment.

3319. And the operation of building societies generally, in London particularly, has been for some years to make them more banks of deposit, than building societies as contemplated in the original Act?—Precisely so; they are investment associations, and the only thing is, that the nature of the investment is restricted by the Act to loans upon mortgage, and the other prescribed securities.

3320. Would you allow amounts to be received on deposit by the mere issue of scrip, or a receipt by the society, or would you in every case have a deed with them?—I would let the lender take what security he thought fit.

3321. Do you think it essential to the proper

government of these societies, that there should be a periodical return made to some official department of the amounts borrowed?—I think that it would be very desirable that we should have an annual balance sheet sent to the office of the future registrar.

3322. What would you comprise in that balance sheet?—In point of fact these societies are usually sufficiently frank to publish all the details which would be required under the 36th section of this bill, namely, “a general statement of the funds and effects of or belonging to the society, and its liabilities and assets, specifying the amount raised by the subscriptions on shares, and the amount raised by any other means, together with an account of all and every the various sums of money received and expended by or on account of the society, since the publication of the preceding general statement.”

3323. I understand you to convey to the Commission that this bill does not at all embody the provisions which you think necessary, or desirable, in any legislative enactment?—Not at all; it was drawn by me merely by instructions, as representing the views of the committee. I was merely the passive draftsman to obey their instructions.

3324. I understand you that, if you were asked officially by your department to frame a bill, which from your experience at the office you thought would fairly carry out what was desirable, we should see very different provisions from those which are contained in this bill?—You would see different provisions in many respects.

3325. Would you in any way limit the deposit of deeds as security for borrowed money?—I think that I would prohibit it altogether, because it seems to me that that is likely to give rise to a great deal of reckless dealing with the funds of the society. Let the loan be accepted on the general security of the funds as they come in.

3326. When you say “funds,” do you mean subscriptions?—Subscriptions and repayments of the mortgages which would be granted with the help of these loans.

3327. But you would draw a distinction between subscriptions and repayments of loans, and moneys borrowed, and for which repayments are made? Assuming that 5,000*l.* of borrowed money is lent, and that then a part of that money is repaid, would you allow that to be relent?—Yes, if the repayment of the borrowed money was not called for.

3328. To the shareholders?—Yes, certainly to the members.

3329. You would allow that operation to be continued, of borrowing and of lending, without any limitation of rates of interest, or when the money should be payable or receivable?—Yes.

3330. Then the practical operation of that would be, that it would be left to the good judgment of those who were at the head of the society that they would not make an improvident bargain?—Yes.

3331. You spoke of leasehold security upon which you would allow the investment of surplus funds. What is your definition of leasehold, so far as relates to them?—This rule would leave it entirely to the discretion of the society as investors, as to what they would consider a sufficient leasehold security for the loan. I suppose that they might be trusted to manage their own affairs sufficiently well not to take an insufficient security.

3332. But with the great ramification of these societies through the country, can you not imagine that a large amount of property might be converted into leaseholds for the mere purpose of borrowing?—The check upon that would be in the hands of the society and the members who contribute to it. If they saw their funds in danger, they would probably cease to contribute.

3333. In the return which you think it desirable should be made, would you have the rate of interest payable and receivable in each case particularised?—I am afraid it would not be very valuable information, because with regard to the loans to members, the rate

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Bratbrook, Esq.*  
17 Mar. 1871.



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17 Mar. 1871.

of interest is a complicated thing, which many of the societies do not even know themselves. They trust to their actuary to determine the rate of interest charged; and with regard to the other investments, it would only be adding details to the return, which I think is not always desirable.

3334. Your recommendations would have the effect of making these societies receptacles for borrowed money and for lending money, and of making them in fact investment societies rather than building societies, would they not?—I am afraid that we could not avoid that. I always think, with respect to all these things, that when the public shows a tendency to manage matters in a certain mode, we must give way to it, even if we have some lurking doubt as to its soundness in some cases, and the business is now so well established that I have hardly contemplated putting a check to it.

3335. Does it not occur to you that advantages and facilities would be given to those societies, which ordinary mercantile establishments and joint stock companies are not now entitled to?—Undoubtedly.

3336. And it would in effect be creating joint stock companies in a different form, with certain advantages?—It would have precisely that effect.

3337. Reverting again for one instant to the National Land Society—there is very little difference in its operations from the operations of the London and Westminster Bank, receiving money on deposit and lending it at the best rate of interest which they can obtain?—Yes, with the exception that their investments are limited to a certain sphere; they do not go into the general financial market, but merely deal with a particular class of borrowers, and the British Land Company, to which they lend large sums.

3338. But I understood you just now to state that loans are made upon personal security?—Loans are not made upon personal security in any case, but only upon the security of estates of some kind.

3339. Is it not within your personal knowledge that building societies do lend money to each other; take the case of a society established as a terminating society, and a second terminating society being practically in the same management, and one society lending to the other?—That is constantly done.

3340. Without any security but the personal security of the directors and trustees of the first society?—It comes to that; they have no real security.

3341. Is it not personal security?—Certainly.

3342. Then there really would be no difference between a bank and one of these societies?—Not in that respect, certainly.

3343. Will you inform the Commission to what extent you would allow borrowing powers in relation to the subscribed receipts of the society?—I think that the measure which was allowed in the case of *Laing v. Reed*, of two-thirds of the mortgages, is too liberal, and that it would be better to have a measure founded on the paid-up capital of the members. The whole amount of the capital—100 per cent. of the paid-up capital—is quite an outside measure. I should hesitate before agreeing to so much.

3344. Although it might reasonably be assumed that money is lent upon property to the extent of two-thirds of its value, with respect to societies of this description, you would not exceed an equal amount with the subscribed capital?—I would not exceed an equal amount with the paid-up capital.

3345. (*Mr. Bonham-Carter*.) I think you said that you would not encourage the extension of the securities upon which these societies should borrow?—No, I would not encourage it.

3346. The gradual extension of these societies to what in fact has become an agency for investments is in your opinion not to be encouraged, but on the whole ought rather to be limited?—It is a thing to be recognised as a fact, but not to be encouraged.

3347. When you talk of limitation and prohibition, those terms which imply regulation, are, I suppose, only justifiable, or at all events terms which you

would use to meet corresponding advantages or encouragement?—Clearly.

3348. If you put strong prohibitions and strong limitations, is it not possible that all these societies would desire to divest themselves of the character which brings them under those limitations and prohibitions, and to become joint stock companies?—They might do so, and they probably would do so.

3349. Is not this borrowing power, from what you have said, something beyond the scope of the original accepted view of the Acts?—I think that it is. Of course one must speak cautiously, after the decision in the case of *Laing v. Reed*, because it has been expressly sanctioned. I think that the 6th and 7th William the Fourth is evidently so drawn up that it did not contemplate large societies receiving large sums on loans, and lending out large sums either to the members or to other persons: it contemplated small investments and small advances to industrious persons.

3350. In your opinion, would encouraging and fostering the investment of small savings, and the class of society which did some years ago offer any such facilities, be a very different thing from encouraging with special immunities and advantages societies which now go to the extent of thousands and hundreds of thousands of pounds?—Wholly different.

3351. Is there, in your opinion, any particular reason for giving a special legislative sanction to loans on mortgage?—In the abstract, apart from the question of small loans for the benefit of industrious people, I should say certainly not. But if the question arises of disturbing an established system, under which a certain organisation has grown up, I should hesitate to answer positively upon it.

3352. You have spoken of members under certain circumstances seeing their funds in danger, and checking the investments?—Yes.

3353. Do you know any instance at all in which members have interfered to check the course adopted by a board of directors?—The members have the fullest control over the directors, and it is quite within their province to do so.

3354. Being within their province, do you think that the members generally are sufficiently well informed to interfere, or is there any instance in which you know that they have, upon whatever information it has been, really so interfered with the directors?—I find a difficulty in naming a specific instance, but I think, speaking generally, that the persons who join a benefit building society of the class about which we are speaking, are persons who go in to invest their capital, and that they are men of sufficient intelligence and means to be able to take care of their own interests, and that they do so pretty effectively. I do not think that anything in the way of very reckless investment on the part of the directors of a building society of that class would be allowed.

3355. Is not the inference drawn from the present state of building societies in relation to the law, that the Government really does foster the peculiar institutions which now have such very extended powers?—It does undoubtedly.

3356. Have you any knowledge whether that has induced a feeling of false security on the part of members or lenders?—I think very slightly. I think that the security is greater in the capacity of the directors for managing their business, than in any special fostering on the part of the Government. Of course the Legislature has given a tangible advantage in the shape of the remission of stamp duty, and other provisions of that kind; but those advantages are valued, of course, merely for their money value. It is not the peculiar organisation of the society which gives confidence in it, but the character of the persons who are managers of these large societies.

3357. That, I presume, is the same basis as the character of the manager of a bank?—Precisely. Those societies are the banks of a certain class of people.

3358. Is there anything so peculiar in their constitution, as at present understood and defined by law,

as in your opinion to entitle them to the fostering of the Government by the remission of general taxation for their benefit?—I think not.

3359. (*Chairman.*) Following up that question of Mr. Bonham-Carter's, what are the provisions in this Bill which relate to the exemption of building societies from stamp duty upon mortgages?—They give complete exemption from all stamp duties, and repeal the section of the Stamp Act by which a duty was imposed upon mortgages exceeding 500*l*.

3360. What is your opinion as to the advisability of such a proposal?—I think that it is not to be defended on any ground of public interest. I think that when a man grants a mortgage to a benefit building society, exceeding 500*l*, he is in a position to pay Stamp Duty upon that mortgage, just the same as if he had obtained the same mortgage through his solicitor. The Legislature has over and over again adopted the principle of allowing a remission of Stamp Duty on mortgages under 500*l*, and therefore I am not prepared to say that we ought to deprive them of that advantage; but with regard to mortgages exceeding 500*l*, it is difficult to see how they can apply for an exemption from stamp duty.

3361. Are the advanced members of building societies at present liable to pay income tax and rates?—I think so; there is no exemption in any portion of the Acts which applies to them.

3362. And there is no alteration of the law proposed upon that point?—There is no alteration of the law proposed in that respect.

3363. This Bill, I think, also abolishes fees upon registration?—Yes, but I am not aware that those fees have ever been found a grievance. The fee upon registration is one guinea, and the fee upon registering any alteration of the rules, after three years from the original registration, is another guinea; but that is all, and the promoters of these societies usually find no difficulty in raising that sum.

3364. Turning to another point, the Bill also proposes to abolish the present restriction upon the amount of a share in a building society?—It does so. The restriction upon the amount of a share has been already practically abolished by a decision which enabled any member to hold any number of shares; because if a man may hold an interest, consisting of any number of shares in a society, it matters very little what the amount of each of those shares is fixed at; therefore I do not know that it is any objection that the restriction upon the amount of shares should be abolished. There is another restriction of the same kind, namely, the restriction as to the monthly contribution, which stands on a slightly different footing. The Act of Parliament at present provides that the contribution shall not exceed 1*l*. per share per month, and accordingly we are now in the habit of striking out all clauses enabling a man to pay his subscriptions on his shares in advance, or to pay them all down in one sum, or to pay by any means more than 1*l*. per share per month, and although a man may have any number of shares, yet that restriction is perhaps convenient, as keeping the capital within certain limits.

3365. Is it your opinion that that provision as to the limitation of the monthly payments should be abolished?—I am not at all clear that it is worth while to keep up any restriction whatever in that respect; it is broken through in principle, and perhaps entire freedom is the best way out of the difficulty.

3366. Are you aware how many of the building societies in the United Kingdom this Bill may be considered to represent?—I think that it contains the views of some hundred or two of the leading permanent societies, not including some few large ones, but representing a very respectable class of societies. It probably would not be dissented from by the general body of the permanent societies as representing their interests.

3367. Does that include the permanent societies generally throughout the kingdom, or more especially those in London?—I think that pretty generally all

the permanent societies of that class throughout the kingdom, namely, the societies which raise capital by borrowing money, and which receive deposits and grant paid-up shares, and in other respects act as investment societies generally, are represented by this Bill.

3368. I take it from your answer that the Bill does not represent the views of the mutual societies?—I think hardly at all. I think that very few of the mutual societies joined with the committee who were preparing it.

3369. How many of those societies are there?—Of one particular class there are about 150; they are called the Starr-Bowkett societies. Of the old terminating societies there are a good number in various parts of the country.

3370. Will you state shortly what the nature of a Starr-Bowkett society is?—The members make very small contributions on their unadvanced shares, and if they never get an advance the amount of their shares is something small, say 25*l*, but if they get an advance it will be of a large amount, say 100*l*. or 125*l*. There is also a provision in most of these societies that no man shall hold less than three or four shares, so that we will say he subscribes for 100*l*, entitling him to an advance of 300*l*. or 400*l*, or 500*l*, as the case may be. I have not been able to ascertain upon what ground Mr. Tidd Pratt originally certified these provisions, because the first section of the 6th and 7th William the Fourth, chapter 32, says distinctly, that the advance to a member shall be of "the amount or value of his or her share or shares," and in the face of that enactment it seems very difficult to see how a rule that the amount or value of a share shall be 25*l*, entitling a member to an advance of 100*l*., could have been brought within that section. I never had the advantage of any conversation with my lamented friend Mr. Tidd Pratt upon that question, and I do not know whether the question was ever specially brought under his attention or not; but it does seem to me rather to go to the root of the matter, and I very much doubt whether societies acting on that footing are really within the Act of Parliament.

3371. Was it for the benefit of those societies that those words, "the amount or value of his or her share or shares therein" were proposed to be left out of the clause in the new Bill?—No, it was not with a special view to their advantage, although it will serve their purpose, but those words were left out because it was thought well to leave out everything which was of a restrictive character from that particular section, so as to leave the purpose as wide as it could be, without departing from the acknowledged purposes of a benefit building society.

3372. In your opinion is there any mischief in a provision that an advance may exceed the amount of the share?—It is mischievous, especially when it is coupled with the provision that the advance shall be one without interest, because it is evident that, if the contributions of the members are so small as only to represent a share of one-fourth part of the amount of the advance, only one-fourth part of the members can be accommodated, at any rate within a reasonable time, inasmuch as you can have no funds except those arising from the capital of the members; and that being the case, the privilege of getting this large loan without interest becomes a very valuable thing, and a thing having a saleable value, and the question was raised whether, when this privilege was obtained by a system of balloting, it did not in fact constitute an illegal lottery. Apart from that question it is practically mischievous, because it gives rise to great dissatisfaction on the part of those members who do not come up for early allotments of these advances. When a number of members, by the payment of a very small sum, 1*s*. a week or so, have contributed, say, 1,200*l*., and find that three or four of their body have got the whole of it in sums of 300*l*. each, and that they have to go on for so much longer before they have a chance of getting it, they naturally feel very much dissatisfied, and the result has

E. W.  
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17 Mar. 1871.



E. W.  
Brabrook, Esq.

17 Mar. 1871.

been that there has been a disposition on the part of many of these societies to modify their system of working, and to try and get out of this difficulty as they can.

3373. In what way have they sought to modify the system?—Some of them have converted themselves into permanent societies; others have given up the principle of ballot, and have adopted the principle of selling the advances to the highest bidder, which is of course the same thing as paying interest on the advances; others have placed themselves into gradual liquidation by refusing to make any more advances, and distributing the repayments on the advances already made to the unadvanced members gradually as they come in. In one way or other, we very constantly get evidence that there is dissatisfaction with the present system of these societies, and that they are trying to modify them.

3374. You gather that from the rules?—Yes, which we receive to certify to carry out these operations, and we always do the best that we can to help them, because it is undoubtedly a difficulty.

3375. In your opinion, have benefit building societies generally been successful?—I think remarkably so. I think that there are very few cases where benefit building societies have really failed; those which wind up, wind up because they have come to an end, or because the members wanted to get their money back, and not because of any real failure or loss of the members' money in the majority of cases.

3376. Could many of them be described as not founded upon correct principles of payment?—A good many; that is to say, they pretend that they will give you 7 or 10 per cent. for all money so advanced, and that they will only take four or five per cent. from you as a borrower, and it is easy to see that of course they cannot do that; but as long as they confine it to merely holding forth a false pretence to the public, and do not actually divide the money, no money is actually lost by the proceeding, and they may divide a considerable sum among the members when the time for termination comes, even though it is not what was expected.

3377. But of course a borrower can only obtain an extra advantage at the expense of an investor, and *vice versa*?—Precisely.

3378. Have any cases come under your notice in which building societies, founded upon incorrect principles of payment, have appealed to the government sanction of their rules as evidence of their financial soundness?—I think not. I think that there is very little misapprehension on that point, because it is so evident a fact that the certifying barrister could have no control over the financial arrangements of the members. There is a distinction between these societies and friendly societies. These societies are evidently mere matters of business, and there is not that amount of actuarial mystery which attaches to the operations of a friendly society, nor has there been ever any official publication with regard to these societies. All that the barrister has had to do has been to certify their rules, and I do not think that his having done so has given rise to any misapprehension.

3379. Is the registrar's certificate conclusive proof of the legality of a society?—No; that is always open to question.

3380. What provision do building societies make for the expense of their management?—They sometimes have a separate contribution, but usually the expenses of management are paid out of the proceeds of the interest which the members pay for their advances.

3381. An extra amount of interest is put on for that purpose?—If it be a society which promises five per cent. to its investors it will charge seven per cent. to its borrowers, and out of the two per cent. will pay its expenses.

3382. That refers, I suppose, to permanent societies?—Yes.

3383. What is the case in terminating societies?—

In terminating societies they usually make a small separate contribution for their expenses.

3384. And in the mutual societies also?—And in the mutual societies also.

3385. Can you state what amount that contribution ordinarily is?—Usually speaking it is very small. They are not at all expensively managed; it sometimes takes merely the form of *pro rata* to the actual amount expended, whatever it may be. In other cases it is 1s. a quarter or thereabouts.

3386. Is provision generally made for losses in the operations of the society?—Only by means of that margin between the interest granted to the investors, and that received from the borrowers, and by means of reserving such profits as may be declared until they amount to a certain guarantee fund.

3387. Is a guarantee fund prevalent among building societies?—It is prevalent among all the permanent societies; they never divide their profits up to the hilt, they always reserve a portion as a guarantee against the future.

3388. Have any instances come under your notice of losses in building societies by embezzlement?—Yes; every now and then you hear of a secretary getting hold of a few thousands of the society's money. I remember the case of the Lancaster Building Society, which is now winding up in Chancery, and which first got into difficulties through an embezzlement of that kind.

3389. The proposed Bill makes the law more stringent against officers in the case of frauds of that description, does it not?—It merely adopts the provisions of the 18th and 19th Victoria, for misapplication, that is to say those which relate to the present law with regard to friendly societies, instead of the antiquated provision of the Act of George the Fourth.

3390. In your opinion is that an advisable alteration?—I think so. I think that if we are to continue any system of registration at the office, the more it is assimilated to that of friendly societies the better for the sake of uniformity.

3391. Have any instances come under your notice where the surveyor of a building society has made a contract between himself and the vendor or the purchaser, with the view to share the profits of an unfair valuation?—I think that very possibly that may be done, but honestly inaccurate valuations are very frequently made, and there is a great loss to the societies. The nature of the properties on which their funds are very frequently invested, being small suburban residences, and things of that kind, they are very liable to be over-estimated by a sanguine surveyor, and a new district which is laid out, frequently turns out not to be so prosperous as it was expected to be, and when a benefit building society has advanced a considerable sum of money upon houses in that district, and finds that the value of the property turns out to be about half what the surveyor originally estimated it at, it becomes a serious matter, and many societies have involved themselves in some difficulty by investments of that kind.

3392. Some of the societies I think are worked by a kind of amateur surveyors?—Yes, by a survey committee, but most societies consult a surveyor.

3393. Has over-speculation done much injury to building societies?—In the sense which I am just explaining I think that it has, and I can speak not merely of London and the neighbourhood of London, but of what has come to my knowledge with respect to many country societies, where they take up an outlying district on the outskirts of some large town, and try to make it up into a colony, and very frequently fail.

3394. Do these societies often yield to the temptation of declaring the profits before they are realised?—Yes. It is a very salutary restriction in the present Act that no profits shall be paid out until the shares are actually realised. I think that that is omitted in this Bill, but I should not be disposed to recommend its omission in any future statute on the subject. I think that it is a very salutary provision.



3395. Is there much connexion between the directors of one society and those of another; for instance, are the directors of one society often placed in the position of being arbitrators for another society, and do they work together much in that way?—Many men are on the boards of a good many different societies, and that thing very frequently happens. Amongst the terminating societies, the usual practice is to have a succession of societies, first, second, third, fourth, down to 19th or 20th in some cases, or even more, and among the permanent societies many men will belong to a good many different societies, I suppose with the object of not putting their eggs too much into one basket.

3396. Have the members in your opinion suffered much in arbitration matters from that custom?—I think that very few arbitrations ever arise, and I suppose that when they do arise they are pretty fairly dealt with. The questions which arise in benefit building societies are not usually of such a character that they are at all referable to arbitration; they relate more to money claims, or questions which are triable either by the county court, or by the Court of Chancery; and I think that a reference to arbitration is quite the exception.

3397. You have told us something about the application of the surplus funds of building societies. Has not it become almost a common practice for a building society to lend what are improperly called its surplus funds to a land company for the purpose of buying land?—The two large societies which were originally started as freehold land societies have both of them established a joint stock company in connexion with them, and with which they deal in this way: they lend the funds of the society, and receive in exchange the security of land which is the property of the company, and that is done to a very large extent.

3398. Then, in fact, the directors of those building societies borrow money for the purposes of the land companies?—They do.

3399. What is the state of the law in reference to that point?—I am not aware that there is any restriction in the law upon their doing so, beyond the question whether they are correct in defining the money as surplus funds, and if it be so I am not aware of any remedy which you can apply to it.

3400. Might not any member of a building society object to such an act of the directors as a misapplication of their funds?—He might possibly do so. I am not aware that it has ever been tried; on the contrary, I assume that the members rather like that sort of arrangement, as it produces a fair interest for their money, and they have no occasion to complain of it.

3401. Are you acquainted with the case of *Grimes v. Harrison*?—Yes. In that case a distinction was drawn between a building society acting as a land society, and a benefit building society making its regulations under the statute, and a member succeeded in restraining it. But in another case, that of the Kent Benefit Building Society, it was held that the member must perform his contract, and must keep on paying his subscriptions notwithstanding the unauthorised change of the objects of the society. I however rather suspect that both those cases arose after some amount of loss had been created by this unauthorised dealing with the funds. As long as things go on smoothly the members are not likely to interfere, being themselves parties to the transaction in almost all these cases; it is perfectly well understood what is going on.

3402. (*Sir S. Waterlow*.) Do you know whether, as a matter of fact, permanent societies altogether disregard the provision to which you have referred in the 6th and 7th William the Fourth, as to the restriction of the amount of the advance to the sum which the member has paid into the society?—I do not think that they do disregard the provision that the advance shall be of the amount or value of the member's shares. I think that they respect it; that is to say, that as a rule, they make any member

who applies for an advance exceeding the total amount of his share, take up fresh shares to meet the advance, in order to bring themselves within the provisions of the Act.

3403. Do you mean, that if a man wants an advance of 400*l*. he must take shares to the value of 400*l*.?—Yes, usually; they make him nominally take them; he pays an entrance fee upon them or something of that kind, so as to get himself registered as a shareholder; not always, but usually that is done.

3404. You spoke of the practice of some societies promising 10 per cent. to the investor, and taking only four or five per cent. from the borrower, does not that arise from the fact that they take the four or five per cent. during the whole period of the loan, without calculating the saving on the monthly payments?—They sometimes do that, but that, of course, is a fraud upon the borrower, who imagines that he is only paying 5 per cent. on the amount which he really holds, whereas the sum which he really pays at the end of his term will amount to 50 per cent. on what he holds.

3405. But is it not the fact that in many societies that practice is followed?—In many societies it is so, not, perhaps, as much as it used to be some years ago.

3406. Looking at the manner in which building societies have drifted from their ordinary and originally contemplated course of business, do you not think that it would be better now to leave them entirely free, and to repeal the several Acts controlling them, and put them under the common law?—You mean, to make joint stock companies of them in every case?

3407. Yes.—It would be rather a violent measure. There are a great many societies which do a great deal of good, and are deserving of praise. I should be very sorry if it should be supposed that I look upon the position of these societies generally as being unsound or dangerous in any respect. I think that they have done a great deal of good, and that they will do a great deal of good still. If it were a question in 1871 of creating a new system of benefit building societies, I should say, go back to the Joint Stock Companies Act, but as they have existed under the Act of 1836 I am inclined to hesitate before recommending the whole of the legislation to be swept away, and all these societies to be dealt with as joint stock companies. I think that in many respects you may manage them without subsidising them. I do not think that you should subsidise them, but you may manage them by giving them, I was about to say, an easy method of winding up. There are many provisions which affect joint stock companies which would bear harshly upon societies of this class: there is the expense of the original formation, there is the stamp duty upon the articles of association, and there is the peculiarly formal character of the articles of association as distinguished from the rules of a building society, generally speaking. You have the machinery in existence of these Acts which have been in existence ever since 1836, and I should hesitate for a long while before recommending you to sweep them all away.

3408. In fact, are not these Acts subsidising Acts, and intended to aid and assist the small contributions of the industrial classes, whereas the present building societies are merely made the vehicles of the investments of persons much above the class originally contemplated?—In the majority of cases they are, and if the subsidising clauses are continued, I think it only fair and right that they should be limited necessarily to societies which fulfil the original mission of these societies. But beyond the question of subsidy, there is the question of machinery, and I think that the question of machinery is one for which these Acts might fairly and wisely be continued in operation.

3409. If the subsidising powers and directions in the statutes were limited to the societies originally contemplated, would not they form a very small proportion of those which are now in existence?—I used the expression the societies originally contemplated, but what I meant was the transactions originally contemplated. The present limit of 500*l*. for the exemption

E. W.  
*Bradbrook, Esq.*

17 Mar. 1871.

E. W.  
Brabrook, Esq.

17 Mar. 1871.

from stamp duty is a moderately fair one, and I am not aware that there is any very serious ground why you should take it away from those small mortgages which are under 500*l*.

3410. Then I gather from you that you would still subsidise and protect societies whose operations are within the prescribed limits, but that you would not allow the large societies to obtain those benefits which they now receive?—I would not allow them benefits with respect to the larger transactions. I would give them whatever they get in the way of subsidy on the smaller transactions, but when they go in for large loans, and large transactions generally, I would deprive the transaction of the subsidy.

3411. That course of action would be just the opposite course to that proposed by the Bill?—Precisely. I am now speaking as representing Mr. Stephenson, and not as representing the Committee who framed the Bill.

3412. You are probably aware that, in many of the large societies, the amount subscribed by investing members has not been more than one-eighth or one-tenth of the money received in the way of loans or borrowed?—I am afraid that it is so, and I would check that for the future.

3413. You think that an unhealthy condition of things?—I think so.

3414. But is not it an unhealthy condition of things in the case of some of the most commercially successful societies?—It may be so, but the time may come when there will be a run upon these societies for the amounts which they have borrowed, and when they will not be able to meet it. The time may come when it will turn out that these societies have invested some portion of their capital on rotten securities, and then a loss of 10 per cent. on the capital would amount to a loss of the whole capital of the investing members, because, of course, the lenders must be paid in full. For those reasons I think that, even although those societies may be apparently successful now, such success should not be encouraged, and that if they continue to act in the way they do, they should be deprived of the benefits which this Act may confer upon them.

3415. To what extent do you think that the directors and shareholders of the present building societies would consent to a limitation of the borrowing powers which you have recommended?—I am afraid that a good many of the societies would resist it very much, but I think that for the public good it would have to be insisted upon.

3416. Do you think that anything like the majority of the present members of those societies would recommend it as a beneficial or satisfactory arrangement?—I think that a very large proportion would do so. I think that the societies which do transcend reasonable limits are not many, and that they would all, for the sake of continuing their organisation, come round, if that were made a condition of the continuance of these societies under the Act.

3417. Can you tell us from your own personal knowledge whether a great number of large societies do not invariably transcend those limits?—I am not prepared to say that a large number of them do so. Some of them receive in the way of deposits a very large sum every year, but the amount which they have invested of that is not so very much out of proportion with the contributions of the investing members of the society. The money which comes in and out by way of deposit is very large, but the result which adds to the invested capital of the society is not so great.

3418. Are you aware that in the case of one society the total capital is only 88,000*l*., and that the borrowed money is 686,000*l*.?—Yes; that is one case where a society very largely transcends the limits, and no doubt they would very much object to such a system as is proposed.

3419. Your proposal to limit the borrowing powers would practically stop the operations of a society like that?—Certainly.

3420. It would bring them under the Companies'

Act, that is to say, the option might be given them?—Yes.

3421. Do not you think that a society doing such a business would be better, in a public point of view, under the Joint Stock Companies' Act than under the Building Societies' Act?—I do.

3422. (*Mr. Bonham-Carter.*) You have used the phrase, with regard to the view which the members generally take of all these societies, that their operations are understood to be mere matters of business, as distinguished from the operations of regular friendly societies?—Quite so.

3423. It is a very extensive business?—Quite so.

3424. And the tendency of the bill which you drew was, as you said, I think, to give entire freedom?—Entire freedom.

3425. In fact, to extend such freedom as the recent decisions have given to them?—Yes.

3426. As the consequence of that, particularly in the case of the last question which was asked you by Sir Sydney Waterlow, you said that you thought that some of the very large societies might very properly become joint stock companies. If you give privileges to societies which have apparently exceeded the scope of the original intention, and if the consequence of these societies having so exceeded it is to draw attention to the privileges, would you be inclined to change the whole character of the legislation, or would you so far recognise what may be considered to be the original intention as to confine the amount as nearly as possible to small subscriptions, for the purpose, for instance, of obtaining a security for men whose capital amounts to 100*l*. or 120*l*., in order to enable them to build houses?—I should prefer to continue the existing Acts in operation for all societies, provided they so restrict themselves as to come within reasonable limits. I would not keep any vexatious limit. I think that the limit of the interest of 150*l*. would be a vexatious one. The limit has been done away with by the decision of *Morrison v. Glover* so many years ago that it would be a pity to restore it.

3427. If you were to legislate solely in view of these very large societies, to say that certain privileges should not be given to benefit societies, would you not be inflicting a very great hardship upon the small societies, whose operations had been confined within the purview of the original Act?—I think that you would be doing so.

3428. Are those small societies in general now sufficiently carried out as to number and quality, to make it desirable to retain the law?—I think that there are many, even among those which belong to the class of permanent societies which do not enter into these large and unlimited transactions, and for whose benefit it is well that the provisions of the law should be kept up, and I would even give to these large ones the option of in some way or other retaining their status as benefit building societies, and coming as soon as they can within the limits of the proposed new legislation, whatever it be.

3429. Am I to understand by that, that you mean that if the societies which have very large funds, and a very large number of members, confined themselves to narrow limits in the case of the individual members, that would be a thing which you would think it desirable to support?—I think it desirable to encourage it, and if the existing societies would undertake to do so for the future, I would be inclined to give them a bill of indemnity for the past.

3430. You say that you think that the present machinery is valuable; is not that machinery almost the creation of the societies themselves, inasmuch as the department appears to have no regulating power after the first initiation of the business?—None whatever.

3431. Then these societies have in fact been almost a spontaneous growth within the decisions of the courts?—They have been entirely a gradual development from the original intention of the Act.

3432. If the original Act had been more stringent in the provision which would bring the matter under the cognizance of the department, is it not probable



E. W.  
Brabrook, Esq.  
17 Mar. 1871.

that this great extension would not have occurred?—I think that that is very likely.

3433. Do you think that reference to clauses which were not on the face of the Act, namely, giving the advantages of certain clauses of the Friendly Societies' Act, was quite understood in its effect when the first Bill was passed?—Probably not; at the same time the Friendly Societies' Act then dealt with a different state of things from the present Friendly Societies' Act, and allowed of a larger range of societies coming under it. At that time it was considered desirable to encourage associations of all kinds among industrious people, and I suppose it was considered that these were praiseworthy associations entitled to come under the provisions of that Act.

3434. That is to say that the descriptive clauses of the original Friendly Societies' Acts were wider than of the modern ones?—Yes, the modern tendency has been to restrict and not to enlarge.

3435. Assuming that the original friendly society was supposed to be a society which the Government of the country ought to encourage on account of its developing provident habits amongst the least well paid of the industrious classes, these benefit building societies which have grown up can hardly come within that category?—And yet I am not prepared at all to say that they have not done a great deal of good, but not in the precise direction in which it was intended by the original Act that they should do it.

3436. (*Mr. Roundell.*) If I understand your answer just now, you would contemplate practically leaving the smaller societies under something like the existing Acts, and making special legislation for the more developed societies?—I would propose to give the more developed societies the option of so far altering their present practice as to accord with the practice agreed upon for the future, or of going under the Joint Stock Companies' Act, as public companies.

3437. And you would recognize the fact, which, I suppose, is undoubted, that since the original establishment of these societies there has been a process of self-growth to a very great extent indeed?—I think it is impossible to escape that.

3438. You would recognize that fact, but I am not sure whether you did not say that although you would recognize it, you would not encourage it?—I would not encourage it for the future. I would recognize all existing facts. I would take away nothing from any of these societies without giving them the chance of getting on, but I would place them under somewhat more definite regulations for the future.

3439. For instance, you would for one thing, treat them more on the principle of joint stock companies with limited liability?—Yes.

3440. And in fact assimilating their practice to that of the joint stock companies?—As much as possible.

3441. They have also, I suppose, a tendency to pass into freehold land societies?—I fancy that that tendency has not of late years existed, that of late years the freehold land societies have spontaneously gone under the Companies' Act, because the Companies' Act is better for their purposes than the Benefit Building Societies' Act. The difficulty as to the holding of land was one reason which made them all seek incorporation under the Companies' Act as soon as it was passed.

3442. The land societies are not, I think, subject to the Building Societies' Act?—No; but many freehold land societies were constituted as benefit building societies previously to 1862, and carried out the transactions of the purchase of land through their trustees as in point of fact personal speculations on the part of those trustees. That state of things has come to an end very much since 1862.

3443. Do you mean that that is in consequence of the passing of the Companies' Act?—Yes; the incorporating of the society enabled it to hold land in its own name.

3444. Have you any knowledge of the extent to which these freehold land societies exist?—They have very large funds and capital.

3445. Can you state at all approximately the number of them?—As I explained at the commencement, I have no actual statistics, and I should not like to make a guess at it, but the capital which they represent must be very large indeed.

3446. Do you think that it would be good policy to contemplate powers being given to the building societies to purchase estates after the fashion of freehold land societies?—I am afraid that such a provision, if applied to all societies generally, would disturb the security which the members of benefit building societies now have (I am speaking of the smaller ones) in the nature of the investments which they make. If the committee of a benefit building society were empowered to go into the market and buy land, which they are not now empowered to do, it would be to my mind somewhat unfair to the members of the existing societies to expose them to the risk of that being done, and of their money being lost in consequence. The natural development of things will take such societies as desire it under the Companies' Act, and those societies who do not desire it ought not to be exposed to the risk of their committees entering upon any transaction of the kind.

3447. So that you would distinctly contemplate the freehold land societies being subject to a different kind of legislation?—Certainly. I should not bring them under the Benefit Building Societies' Act.

3448. Recognizing the fact that these societies have developed so much from their original purpose, certain legal consequences must follow: first of all it would be a question whether those large societies are entitled to be called benefit building societies?—Yes, clearly.

3449. Then, besides that, you have I think already stated, that the principle of extending exemptions and immunities in the way of the remission of stamp duties, and otherwise, would not properly be applicable to these large societies?—Certainly not with respect to their larger transactions.

3450. Then further, with regard to the duties of the registrar, as contemplated by this Bill, is it in your opinion right, that the responsibility of determining the validity of the rules should be left to the members of the societies, and not be provided for through the responsibility of the registrar?—My opinion is quite the contrary, but I of course have some hesitation in expressing it, on account of the Chancellor of the Exchequer having introduced a Bill for dispensing with that inquiry into the rules on the part of the registrar in all cases. My own opinion and experience is, that it is exceedingly useful to both classes of societies, both the friendly societies and the benefit building societies, and that it would be a considerable injury to the members to leave them at the mercy of any decisions of the courts, as to the validity of any rules registered at a public office.

3451. In fact, as the Bill stands, the societies would be getting recognition by the State without being subject to any corresponding duties or obligations on their part?—Yes, except that of making returns, and the other provisions which are later on in the Act.

3452. (*Mr. Richards.*) Following up the question which has just been asked, might not the effect be to entail very considerable costs upon societies, by disputes being taken to the county court?—It would no doubt do so, and it would deprive them of the advantage which they have, in the rules being read and considered by a person who is constantly in the habit of reading and considering such rules from all parts of the country. They may possibly get very much better advice if they pay for it, than either Mr. Stephenson's or mine upon the settling of the rules, but that will be advice from a person who is fresh to the consideration of the subject, and not the advice of a person who is in the constant habit of studying and perusing such rules; and to that extent it will not be of the same value to them.

3453. Might it not also happen that members would continue to pay under rules merely registered for, say, some seven or eight years, and then find by a decision in the county court, that the rules were something alto-



E. W.  
Brabrook, Esq.

17 Mar. 1871.

gether beyond the objects contemplated by the society?—A case for the consideration of the county court can only arise when the circumstances have arisen giving rise to the point, and that may be at any time.

3454. Then, upon the grounds of economy, is it your opinion that the payment of one gentleman of experience, or of the necessary staff in London, would be far more economical than the outlay which would be made from time to time in determining the validity of rules in the county courts?—Undoubtedly it would. It would no doubt be cheaper to the public, and with regard to the necessary expenses I am quite at issue with the framers of this Bill with respect to the question of fees, because I think that everything which is done in our department might be done for a small fee, and the department might in consequence be made to a certain extent self-supporting. I am not at all clear that there is any necessity for any expenditure out of the public funds to maintain this department. The work which is done there might be done at the expense of the persons who employ it.

3455. The supervision by the registrar has practically had the effect, has it not, of increased uniformity in rules which are submitted to you for examination?—Yes, but not entire uniformity.

3456. In your opinion, as far as the particular necessities will allow, is not uniformity of rules very desirable?—Very desirable.

3457. The effect being that members of fair education can generally understand the rules which are now submitted to them?—Yes.

3458. At the present moment you have no register of the number of building societies?—We have not; we have merely the memorandum books which have been kept for the last 30 years.

3459. Although you may register 250 societies in a year, a large number of those which you have registered have in point of fact run out by effluxion of time?—Clearly.

3460. Do you not consider that it would be a great advantage to the societies themselves that there should be a register of societies in existence?—It would be exceedingly desirable.

3461. And do you not think that it would be an advantage, to the smaller societies perhaps more particularly, that periodical returns should be made?—A great advantage.

3462. And the advantage of the adoption of a schedule applicable to these societies would also be manifest?—It would be so.

3463. I think you said in answer to a question put to you that a large number of persons belonged to several societies at the same time?—Yes; I know many cases of it.

3464. Is it not the fact that a large number of people belong to various societies and make it a profession?—I believe that there are many who do so.

3465. And are not societies started and conducted more with a view of occupation for those members than for carrying out the original intentions of the Building Societies' Act?—No doubt.

3466. Cannot you understand that the powers now exercised by the managers of these societies of borrowing money without limit of interest, and so conducting the society as to make it necessary for borrowers to pay a high interest, may result in great oppression to borrowers?—The regulations of many societies involve a good deal of hardship to the borrowers in the way of heavy interest, in cases of redemption.

3467. Will you describe the hardship with respect to redemption?—They make the whole of the future contributions as if they were now due and payable; they only allow a small discount, much smaller than that involved in the calculation of the interest for the prepayment. Accordingly a man who has borrowed a few hundred pounds, if he wants to redeem within the course of the first five years, will most probably find that he is paying more than he borrowed originally, although he has in the meantime been keeping up his payments on the whole.

3468. Have you any recommendation to make to

the Commission as to the mode in which you would cure that evil?—I think that it must be left to mend itself, by the members looking to the contracts which they make before they enter into them. I am afraid that no legislative provision could be made; we could not insist upon the society redeeming upon a certain scale, if the rules did not provide it otherwise.

3469. If there is no substantial difference between societies conducted upon a large scale receiving money and lending money, and a bank receiving money and lending money, why would you recommend a machinery for such societies being constituted?—I recommend it merely because it exists, and we could not put an end to it without disturbing the condition of a great many societies of a different class.

3470. Then am I to understand you to indicate it as your opinion that there should not be a continuance of any provisions specially adapted for what may be called building societies, outside the class of small building societies?—I believe that we must continue the present organisation for the sake of the small building societies, and that we must give to the large societies the option of coming under it, and must not deprive them of any privilege which they now have with respect to their past transactions; but for the future I would require them to come under such regulations as may be deemed proper for securing the benefits contemplated by the Benefit Building Societies' Act, or else to retire from it altogether, and become joint stock companies.

3471. I rather understood you in answer to Mr. Bonham-Carter to say, that you would have certain regulations in relation to ordinary building societies as originally contemplated, and other societies outside the purview of the Act, but that even with regard to the second class you would not put them under the Companies' Act?—Not violently; I would leave them the option.

3472. But would you eventually do so?—If they did not come within reasonable limits for the future I certainly would.

3473. Would you have limits for one class, and limits for another class?—I think not; I think that the limits for the future should be laid down for all societies, with merely such saving clauses as may be necessary to protect the past transactions of any of those societies, and that those whose convenience it did not suit to come within those limits as regards their future transactions, should be regarded as joint stock companies, and be required to register under the Joint Stock Companies' Act.

3474. Would not the practical effect of that be to do away with the operations of a large number of the societies, a list of which is before you?—I expect that it would do so; that is to say, I would either confine them within smaller limits for the future, with respect to all these matters, or I would hand them over to the Companies' Act, in which case they could carry on their business in precisely the same way; but they would not be entitled to the privileges which are given to small societies by the Benefit Building Societies' Act.

3475. Do you think that that would in any way operate prejudicially to the habits of saving persons who now deposit money on loan with those societies?—I think not; I think that it would find its own level. The expenses of the societies would be somewhat increased by their contribution to the general taxation in the way of stamp duty, and otherwise, but beyond that they would be in very much the same position as they were before; and they would be more under the control of their creditors and members by being put within the provisions of the Companies' Act, which are stringent.

3476. Is it your opinion that if a society were constituted a Joint Stock Society, Limited, it would have greater difficulty in obtaining loans than if it were a building society?—I think not, because at the present time people actually lend to some of these societies under the name of a deposit bank, which is a name not known to the law; if they are ready to

lend to a deposit bank, they surely would be equally ready to lend to a Joint Stock Company, Limited.

3477. If they were a Joint Stock Company, Limited, the only difference would be, that they would be deprived of certain advantages with respect to stamps, which they now enjoy, and that they would be in the same position as the London and Westminster Bank, paying towards the general taxation of the country?—Quite so, and if they chose to continue to offer the same high interest which they now do to depositors, depositors, I imagine, would go to them if they were anxious to get it, and would take their chance as to the security which the society would give to them.

3478. Has the practical operation of building societies been to create means for investment by persons in a superior class of life to those contemplated under the original Act?—Yes; but in the class of clerks with small incomes, and small tradesmen, and other people, many men have greatly improved their position in life, and have benefited themselves and their families to a very great degree, by becoming the owners of their own houses through the medium of building societies; and even by becoming the owners of house property to the extent of one, or two, or more houses, in the occupation of other people.

3479. Then whilst you would discourage building societies becoming large loan societies, you would not limit in any way the amounts which may be dealt with by building societies proper, with the object of including a larger number of the class of small tradesmen than was originally contemplated?—No; I would not place any restriction of that kind.

3480. (*Chairman.*) What cases have come under your notice of the fines levied by building societies for failures in repayment of advances?—They are very heavy indeed, and in the case of *Parker v. Butcher*, decided in the Court of Chancery some time ago, it was decided that a rule imposing a fine of 1s. per 12. per month for neglect to pay was not an unreasonable rule, and, in point of fact, a rule of that kind is adopted in almost all societies, and the fines averaging 1s. the first month, 2s. the second, and so on, amount to a very large sum in the course of time.

3481. That is 60 per cent. per annum, is it not?—Yes.

3482. Have many societies such a high rate of fine as that?—Nearly all; the cases where the fines for neglect of repayment are small are very few indeed.

3483. Do you think that it would be advisable to give to the certifying barrister any power of regulating those fines?—He never has had it, and the decision in *Parker v. Butcher* shows that he wisely declined to exercise it. The original statute gives power to the societies to impose reasonable fines, and if the certifying barrister had chosen to interpret that word "reasonable" to mean something less than 60 per cent., he might have demurred to certify that rule; but his decision not to do so has been proved to be right by the decision of *Parker v. Butcher*.

3484. Have any cases of hardship in the exercise of the power of sale come under your notice?—It is very frequently a source of hardship, because the claims of the society, what with the redemption money, which is always calculated very severely, and the arrears of the fines, and the costs of the transaction, usually swallow up the whole of the property, and leave very little to come back to the man who has been unfortunate enough to fall into arrear.

3485. Would you have any objection to giving power to the certifying barrister to regulate that matter?—I do not quite see how he could exercise it, because some amount of penalty must be inflicted upon a member who neglects to pay, and the society is only using its legal rights in selling the property which was given in security.

3486. Supposing that the certifying barrister was enabled to refuse to certify rules which contained fines above a certain amount and unfair conditions as regarded the power of sale?—There would be no objection to that, certainly. At the same time it

would be difficult to draw the line, because there must be a reasonable fine in order to insure regularity in payment.

1487. You told the Commission in the early part of your evidence something about the advantages of having trustees. Are you aware of any building societies in which the property is actually not vested in the trustees, although trustees are appointed?—I do not know of any.

3488. Supposing that such societies exist, would you be aware of it?—No, I should have no knowledge of it; it would not appear in their rules; it would be merely acting in neglect of their rules.

3489. (*Mr. Roundell.*) The 34th section of the Bill gives the trustees of a society, by the authority of the directors, power to purchase or take buildings?—That is adopted from the Friendly Societies' Act of 1855.

3490. With certain variations?—With variations; for instance, the provision of the way in which the funds shall be raised to be determined in the rules, is omitted here.

3491. The power here is vested in the directors, and not in the general meeting?—Yes.

3492. Looking to sub-section 4 of the 11th section of the Bill, as to the manner of appointing the board of directors, and so on, would not a provision of that sort, in your opinion, have the effect of vesting too large a power in the hands of the directors?—It only contemplates, I imagine, obtaining a building for holding the meetings of the society, and not for any other purpose.

3493. It is defined to be "for the purposes of the society"?—Yes; and it goes on to say in the next branch, "for conducting the business of the society." It might be convenient to make that clause a little more clear, so as to show that the purposes of the society did not mean providing buildings for the members, but merely a building to hold the meetings of the society.

3494. Otherwise you would approve of the general policy?—I do not think that there would be much risk.

3495. With reference to one of your previous answers as to directors belonging to several of these societies, could you state what mischiefs might arise out of that? In other words, what advantages persons would have in view in becoming connected with several of these societies?—I think that men who belong to that class are persons who have the means of saving a little money, and they put it into first one society, and then another, and being men of business, and having experience in these societies, they get appointed on the committees of those societies. I do not know that there is any real mischief in the practice.

3496. You do not apprehend that it is open at all to anything in the nature of fraud?—I think not. A man who found a little difficulty in getting a proposition carried by one board of which he was a member, might go and try it on at another, but I do not think that there is much opening to mischief. As a rule, the members of these societies are quite competent to control their governing bodies.

3497. I have understood that there is a point upon these Acts which affects the county franchise; that there is a distinction made between members of those societies and borrowers under the ordinary mode?—It is so. A borrower under an ordinary mortgage who pays only the interest upon it, might have an interest in the property exceeding the amount of interest which he pays, and if exceeding 40s. he would have his vote, while the member of a benefit building society who pays not only interest, but a contribution towards the principal, might own the same property, and have a surplus less than 40s., and he would not get a vote; whereas in point of fact his real interest in the property would be larger than that of the man holding a private mortgage, because the latter would only own a certain portion of the lease, whereas the former would own the

E. W.  
Brabrook, Esq.  
17 Mar. 1871.



*E. W. Brabrook, Esq.*  
17 Mar. 1871.

whole of it. That point has been settled by the decision in *Breamish v. Stoke*.\*

3498. That is a disability which should be removed?—Yes. I think that only the portion which is a contribution for interest, as distinguished from the repayment of principal, should be deducted from the gross annual value of the property.

3499. Is it the fact that a recommendation has been made by the Lieutenant-Governor of the Isle of Man that the Isle of Man should not be included in the Building Societies' Act?—It is a fact that the Lieutenant-Governor of the Isle of Man made a communication to the Home Secretary to the effect that unless the Government desired it he would rather that the Bill should not be made to apply to the Isle of Man, and that if the Government wished to have similar legislation in the Isle of Man, he would then prepare a Bill, and have it presented to his own legislature, the Isle of Man being independent.

3500. Do you approve of the mode provided in the 29th section of the Bill for the dissolution of a building

\* By the case of *Rollerton app. Cope respt.*, in the C. P., April 24, 1871 (*Weekly Notes*, 85), *Copland v. Bartlett*, and *Beamish v. Stoke* are overruled, and the mischief referred to in my evidence as to the forty-shilling freeholds is remedied.

[E. W. B.]

The witness withdrew.

*Mr. W. R. Selway.*  
*Mr. P. Blake.*

Mr. WILLIAM ROBBINS SELWAY and Mr. PETER BLAKE examined.

3503. (*Chairman to Mr. Selway.*) You are the managing director of the London and General Permanent Building Society?—I am.

3504. (*To Mr. Blake.*) You are secretary to the Industrial Permanent Building Society of Greenwich?—Yes.

3505. (*To Mr. Selway.*) You are acquainted with the provisions of the Bill with regard to building societies, which was brought into the House of Commons last year?—I have a copy of it before me, and I am to some extent acquainted with it. I have read it very carefully, and generally I approve of the scope of the Bill; but there are some few suggestions upon the Bill which I should like to offer on points upon which I do not entirely agree with it.

3506. Will you state the points in which you do not agree with the Bill?—A particular point which I would mention in the first instance, is that it limits the operations of building societies to lending money upon leasehold or freehold security, and does not provide, if I correctly understand it, for the investment of surplus funds upon land. There is a clause, clause 20 of the Bill, which directs that the trustees "may from time to time, as the rules direct, invest any portion of the surplus funds of the society upon real or leasehold securities, or in the public funds." I am not sufficiently a lawyer to know whether that would enable societies to form in fact land societies, to purchase land and resell and redistribute it among their members, or whether they are bound simply to lend the money upon that security.

3507. Is it your wish, speaking on behalf of your society, that that power should be given to building societies?—I think it a very important thing that building societies should have that power. Speaking for my own society, we have never yet felt the need of it, as we have always been able to dispose of our money with great readiness, lending it in the ordinary mode of mortgage upon houses; but there may come a time when funds cannot be got rid of quite so readily, and then I think it would be desirable to sink them in land.

3508. Does your wish relate to the general funds of the society, or to the *bonâ fide* surplus funds which cannot be otherwise used?—I should say the surplus funds. Supposing, for instance, there is not a sufficient demand for loans upon mortgages in the usual way, then the managers of the society should have power to invest their money in land, which they

society?—I think that it would be a great improvement on the present law, which really provides no effective mode for their dissolution except a compulsory winding up by the Court of Chancery. In this case they would have an opportunity of obtaining an agreement setting forth some plan of winding up in a voluntary manner, or failing that they might be wound up compulsorily by the County Court.

3501. You would not recommend any more summary mode through the medium of the registrar?—The difficulty of any summary mode is that of making arrangements with the advanced members for paying off their mortgages. The members who have received advances cannot be compelled to pay up in any shorter time than that for which they originally contracted when the mortgage was granted, and therefore any summary winding up would not apply to a benefit building society. The only way in which it could be done would be by an agreement for gradual liquidation.

3502. Could provision be made by the appointment of a receiver to meet that case?—That, I suppose, would arise if it became necessary to go into the County Court for a compulsory winding up, but in the case of a voluntary winding up the society would be at liberty to appoint its own receiver, and to make such regulations as it might think fit for directing his proceedings.

The witness withdrew.

could appropriate to their members by resale, or by apportionment.

3509. Do you mean that the directors of a society should have the power to invest the money which they receive from the shareholders of the society, or that they should have a further power than that?—We are speaking now of the moneys which they receive from the shareholders.

3510. Your wish is confined to that?—No, I go further than that. There is, I think, a clause in the Bill which gives a society power to receive money upon loan, it is clause 9: "Any society under this Act may receive deposits or loans at interest from the members, or other persons or from corporate bodies," and so forth. I think that that is a most desirable clause in a future Act of Parliament.

3511. Do you wish to see the directors of a building society empowered to borrow money for the purpose of investing it in land?—No, I do not wish them to borrow money for that purpose, but, as I said just now, if the surplus shares in the society cannot be used readily in mortgages, then I think it a very desirable thing that they should have power to purchase land, if a favourable opportunity offers.

3512. I wish you to draw a distinction between the funds arising from the shares of the society and the funds which the directors may borrow on loan?—Quite so; but I understood that your question went to this point, whether I should be satisfied simply with receiving the money upon shares. I want also to have the power to borrow,—to receive money upon deposits is the ordinary expression, but to borrow is the technical one.

3513. Would you allow the directors to invest in land the money which they received on deposit?—I do not see any objection to it.

3514. Do you think that that is in accordance with the original idea of a building society?—Not in the original Act—it was of very limited application.

3515. You think that the alteration which has taken place in the business of building societies requires that alteration in the law?—That is my opinion.

3516. Have you ever considered that Parliament gave building societies certain privileges for certain purposes, and that if the purposes and operations of building societies are altered, it might be a fair question for consideration whether those privileges should be continued to them?—That may be, but at the same time the general scope of the societies remains the same. The object is to collect moneys



from shareholders for the purpose of lending them again to enable persons to buy their own houses—that is the main object of all building societies—and even as regards land, I believe there are societies which have purchased land, especially in the North of England, and have allotted portions to their members, who have become thereby in the position of owning freehold houses, which is a very important thing.

3517. (*To Mr. Blake.*) What is your view upon this point?—From my experience I have not found it necessary to use the surplus funds of the society, not having had any to any great extent. In order to invest money in land, you must assume that you are dealing with very large funds, and it seems to me to be rather outside the objects of a building society. We borrow money for the general purposes of the society to meet the applications for advances, but never with the view of investing those borrowed moneys. In my experience I cannot see that that is necessary for building societies generally. I should think that it must only apply to societies of a very large character. Our society had an income from subscriptions of 28,000*l.* during the last year, but still to our society it would not be much advantage to have that privilege.

3518. Your society confines itself to what may be considered as the original objects of a building society?—I think so.

3519. (*To Mr. Selway.*) What is the amount of the annual subscriptions of your society, taking last year?—From investing shareholders we received 11,800*l.* last year.

3520. (*To Mr. Blake.*) And you received 28,000*l.*?—That included the repayments of borrowers, but from investing shareholders the amount was 11,835*l.* and the repayments were 16,221*l.*, being in the proportion of four-sevenths repayments, and three-sevenths from investing subscribers.

3521. So that the actual subscriptions received from each of your societies were much about the same?—It appears so.

3522. But the nature of the business which you respectively would wish to do, appears to be essentially different?

(*Mr. Selway.*) I am not speaking from any present need, but I can foresee a time when a society becomes so large that there may not be ready openings for its money, and then the shareholders would not be able to get a proper dividend for the use of that money; when it might be desirable that they should have the power to invest that surplus.

(*Mr. Blake.*) I think that it would be desirable that the law should give the power of using the surplus funds, but scarcely of borrowing for such a purpose. If you have surplus funds which you cannot use in the usual manner upon applications for advances, then the power might be given of using such funds for the benefit of the society by reinvestment.

3523-4. The surplus funds which you speak of are derived entirely from the subscriptions of shareholders?—Yes, the subscriptions and repayments received during the year. For instance, we have under one of our rules power to borrow, and we during the past year received in special loans 2,700*l.* and 11,000*l.* from the bankers. Our liabilities on former loans amounted to 28,300*l.* on special loans from private persons not being members, and to the bankers we owed 5,000*l.* To the bankers, of course, we pay off the money as the bills become due, but the other loans may be in existence for a number of years. In respect of those loans advanced by ladies, a considerable time elapses.

3525. Am I to understand you that you would not desire to have power given you to invest those special loans, or those bankers' loans, in land securities?—I should think that it would not be wise to do so, and that we should rather prefer paying off these special loans. In the case of these special loans upon which we pay five per cent., it would evidently be to the

advantage of the society if we found that we were lacking in borrowers, to give notice to these parties, and to pay them off. Our loans are contracted upon a month's notice from either party, and if we did not want the money, we should give them notice to take it away.

3526. (*To Mr. Selway.*) Might not the same point apply to your society, namely, that you would probably have to pay for such loans a higher rate of interest than you could obtain by investing them in land?—My answer just now did not go so much to the moneys which we receive on loans, as to the surplus subscriptions, because we can always regulate the loans. At the present moment it is true we pay five per cent., but we could reduce that amount. If we had a large sum of money offered to us we should refuse to take it, excepting upon a much lower rate of interest. You can regulate that matter, and, of course, if you give only two or three per cent. instead of five per cent., you will stop the supply, so that I do not think that it would necessarily affect the question of loans.

3527. Then your view also rather applies to surplus subscriptions?—Quite so. I do not know that a hard and fast line need be drawn between the two, to say that no borrowed money should be invested in land, but generally speaking I should confine it to subscriptions.

3528. Is there any other point in the Bill upon which you in any way differ?—I would simply say in answer to that question that I think it would be very desirable if the societies were incorporated, and allowed to act under common seal.

3529. Then you would do away with the trustees?—Quite so.

3530. And would you place the societies under the Industrial and Provident Societies' Act with limited liability?—I am assuming that a Bill of this character is passed specially for building societies.

3531. The object of my question was to find out what kind of position you would wish to see these societies placed in after incorporation, because this Bill does not provide for incorporation?—No, this Bill does not do so. I think that it would probably be a better scheme if they were incorporated; however that is not a matter of very great importance. I do not feel very strongly upon it. We have no difficulty in working a society with trustees.

3532. Supposing them to be incorporated, might they in your opinion be placed under such an Act as that to which I have referred, either the Industrial and Provident Societies' Acts, or the Joint Stock Companies' Act?—I do not think that there would be any objection to placing them under the first-named Act.

3533. You observe that such a proceeding would do away with the necessity for this Bill, as regards a considerable number of building societies at any rate?—Quite so, but I think that it would be better if we had an Act of our own. We have already been linked far too closely with Friendly Societies, which has given rise to a great deal of confusion. I think it better to have a separate Act.

3534. If you were under the Joint Stock Companies' Act, it would remove you entirely from the Friendly Societies' Act?—Yes; but I should not like to be put under the Joint Stock Companies' Act, it would involve additional expenses to us.

3535. In what way?—As respects the fees under that Act; and it would remove the exemptions, I presume, with which we are now favoured.

3536. You refer to the exemption from stamp duty?—Yes.

3537. Looking at the nature of the building societies at present, is there any special reason why that exemption should be continued to them?—Yes, I think so, inasmuch as they are still essentially societies for the benefit of the great masses of the people; they are societies to which, to a very large extent, the working classes still belong. It is true that they have perhaps got a little up from the original scope of them. They

*Mr. W. R. Selway.*  
*Mr. P. Blake.*  
17 Mar. 1871.

Mr. W. R.  
Selway.  
Mr. P. Blake.

17 Mar. 1871.

were very limited in their original conception, but I apprehend that it is none the worse that they have got up a little higher. They comprise the lower and middle classes.

3538. Do many of the working classes belong to your society?—We have several. I am not prepared to tell you what proportion, but I know that there are a good many working men in various trades, mechanics, and so forth.

3539. (To Mr. Blake.) What is your view upon this question of incorporation?—I should much prefer an Act of our own. I think that it is quite as well under trustees, and I am not prepared to say that there should be incorporation. With regard to your questions about the class of people constituting the members of the societies, I would say that although we have a leaven of a higher class than those for whom the Act originally provided, yet I think that that is a very great benefit to the working classes themselves. By having this leaven of men who are of a superior class, you get capital, and it is in every respect a great advantage to the general members. I may just mention that out of 919 investing accounts, 807 were actually under 100*l.*, 433 under 20*l.*, 260 of 20*l.* or more, but under 50*l.*, and 114 were of 50*l.* or more but under 100*l.*

3540. How do you define "investing accounts?" do you mean shares?—Yes.

3541. What is the amount per share?—The nominal value of a share is 55*l.*, being six per cent. upon the periodical subscriptions.

3542. The amounts to which you refer are the sums which have been paid up upon the shares?—Yes.

3543. (To Mr. Selway.) Is there any other point in the Bill to which you wish to refer?—I think not, with the exception that I repeat my anxiety to see clause 9 in the bill passed, which legalises the receiving of deposits or loans.

3544. (To Mr. Blake.) Is that your view also?—Precisely so. I think that there should be no mistake about the power of building societies to contract loans. The society which I represent having been established in 1852, has the power of borrowing, but it should be made very certain, there should be no doubt at all about it.

3545. Your rules are certified with that power?—Yes.

3546. (To Mr. Selway.) Are yours also?—No, we have no positive rule to that effect. The first rule defines the objects of the society; it states, "and also to receive deposits of money to accumulate at interest;" that is all that we have upon that subject.

3547. It states the objects of the society in words practically taken from the Act of the 6th and 7th William the Fourth?—Yes.

3548. But it concludes with those words to which you have referred, "and also to receive deposits of money to accumulate at interest;" those words do not occur in the Act of William the Fourth, do they?—They do not.

3549. Then in that point is your society of the nature which is contemplated by that Act?—In that point I apprehend no more than hardly any building society of the present day.

3550. That rule as it stands was certified by the barrister?—It was.

3551. But let me refer you to the statement in your prospectus of the objects of your society. I see there the following objects stated:—"1. To induce "and enable members to purchase or erect dwellings "for their own occupation. 2. To enable members "to accumulate money in shares of 40*l.* each by small "periodical payments. 3. To purchase freehold "land for resale in small plots to such members as "may wish to become freeholders. 4. To receive "money in large or small sums on deposit at a rate "of interest fixed from time to time, and with- "drawable on short notice." The third object, namely, purchasing freehold land, is not in anyway referred to in your rules, is it?—No, it is not.

3552. Then do you consider that that statement

in your prospectus is consistent with the rules of your society?—We have never acted upon it. We have never indeed had any occasion to act upon it.

3553. Perhaps I misunderstood you, but from the answers which you gave to my questions at the commencement of your evidence, I inferred your society is rather anxious to take up that particular point?—No, excuse me, I did not wish to convey to you that the society which I represent is anxious for it, or that I as the managing director of the society am at the present time anxious for it. I only think that in legislation it would be desirable to provide that power.

3554. Why was that object not inserted in your rules?—I can hardly say why it was not inserted in the rules; the rules are exceedingly brief, and are intended only to be very general.

3555. Might it not be that the certifying barrister would not have certified rules of a building society with that object included?—At any rate the rule was not submitted to him; he did not strike out any rule, and these rules, if I recollect rightly, are framed to a very great extent upon those of the National Freehold Land Society, a society certified by him, whose special object is to purchase land.

3556. Is that society certified as a land society?—I am speaking simply from memory, but my impression is that it is certified as a permanent mutual benefit building society, there is no provision for a land society. Mr. Blake confirms my memory upon that point.

3557. Had you any hand in drawing up these rules?—I had.

3558. Do you remember whether there was any idea among the managers of the society at the time, of inserting such a rule?—Certainly not.

3559. Then how is it that it now appears in the prospectus?—As an object which we might possibly, some day or other, carry out if occasion require, and if the point should come up, we should probably ask how it is that the National Freehold Land Society have been able to do it upon so large a scale.

3560. Am I then to understand that it occurred to you, after your rules had been certified, and after the society had commenced operations, that this was an additional object, which your society might undertake?—I believe that to be the reason for it.

3561. Then this prospectus is of a later date than the rules?—It is of a much later date, although I do not know that there is any date upon it.

3562. And that object was not contained in the original prospectus?—I think not; in fact no prospectus was issued until after the rules were certified by Mr. Tidd Pratt.

3563. (To Mr. Blake.) I observe that the object of your society as stated in its rules is, "To raise by "weekly or other periodical subscriptions of its mem- "bers, a fund from which each member wishing to "erect or purchase a house or houses, or other real "or leasehold estate, shall be entitled to the full "amount of his share or shares subject and according "to the conditions in these rules as herein-after "stated." That, I presume, is entirely according to the Act of William the Fourth?—Yes.

3564. And your prospectus gives the objects of the society as follows: "First, to assist members in the "purchase of property, either for their own occupa- "tion or for investment; and second, to afford the "best means for the investment of periodical sums, "realising a much larger interest than is to be ob- "tained in the ordinary savings banks." Those are the sole objects referred to?—Precisely.

3565. (To Mr. Selway.) Turning to your report for 1870 I see that the first paragraph states: "the "Directors, in presenting to the shareholders the Fifth "Annual Report of the state of the society, cannot "but feel satisfied that, notwithstanding the extreme "depression of the past year, the business has shown "no falling off, but has been slightly in excess of "that done in the preceding year." How do you define that word "business"?—I think that the mean-



*Mr. W. R. Schway.*  
*Mr. P. Blake.*  
 17 Mar. 1871.

ing of the word there was the amount of moneys which had passed through the society's hands.

3566. Derived from every source?—From every source.

3567. The following paragraph is: "the income of the society from investors and depositors has been 16,891*l.* 11*s.* 0*d.*"—Yes.

3568. You class all your receipts together?—Yes; in that report it is simply an abstract of the account. It is given in detail in the cash statement on the opposite side of the report.

3569. What is the nature of your deposit system?—Any amount over 1*l.* is received, for which one month's notice has to be given, and if they are larger sums than 100*l.* then a special arrangement is made with the depositor as to the amount of notice to be required of him.

3570. They are in the nature of loans and not of shares?—Quite so.

3571. I see in your cash statement for the year ending the 31st of December 1870, that the amount received from deposits was 5,090*l.* 10*s.* 0*d.*?—Yes.

3572. Next follows the sum received from loans, 14,000*l.*?—Those are loans for temporary purposes taken up from the bankers. Upon the other side of the account you will observe exactly the same amount paid off.

3573. What do you mean by temporary purposes?—Supposing that we have applications from members for advances for which we have not any funds, rather than that they should wait until funds accumulate, we get our bankers to allow us to overdraw for a short time, 2,000*l.* or 3,000*l.* as the case may be, and it is replaced, and we go on again. At the present instant we owe our bankers 1,000*l.* in that way. We have it upon loan.

3574. Upon what security do your bankers advance these loans?—Upon the promissory note of the directors, joint and several.

3575. Is the whole sum so advanced in temporary loans by the bankers, lent as advances to shareholders?—It comes into the general funds of the society. I could not undertake to trace the precise money from the bankers to the members, but that is of course the object for which it is borrowed.

3576. It is borrowed entirely for that object?—Entirely for that object.

3577. Is there any further security given beyond the names of the directors?—Not in the least.

3578. I observe in your cash statement a sum expended during the past year of 1,916*l.* entered as "loans to members on shares"—what is your practice in that matter?—Those are temporary loans to members to avoid two things: first of all, waiting until their notice shall have expired, when they may withdraw their shares; and secondly, to prevent them from forfeiting any part of their interest or profit; those loans are also only made for short times. You will observe again that upon the receipt side we received 1,630*l.* 10*s.* 0*d.* back from the members; their security is that they give up their share claim for the time, and put it in pawn, if you like so to say.

3579. What security is given to the depositors?—An ordinary deposit note, such as a joint stock bank gives, or any bank gives, signed by two of the directors, and counter-signed.

3580. Are the directors personally liable, or is the liability that of the society?—Excuse me, that is a legal question, which I think that I can hardly answer. I suppose that they would be personally liable under the present state of the law, but I am not a lawyer.

3581. The reason for my question was, because under the head of "depositors" in your prospectus, it is stated—"by this special arrangement" (referring to the deposit arrangement), "a good rate of interest with undoubted security may be obtained." I wanted to know what the security was?—The security is the signature of the directors; and inasmuch as

they only lend the money upon freehold or leasehold security, we consider that it is an undoubted security.

3582. What are the freehold and leasehold securities upon which these loans are made?—I hardly know to what extent your question goes; they are houses situated in various parts of the suburbs of the metropolis.

3583. The business of your society consists, among other items, of advances to shareholders upon the security of freehold or leasehold property; do you make advances to depositors?—No, we make no advances to depositors.

3584. What do you do with the money of the depositors?—That is also lent out upon a similar security to that upon which the money of the shareholders is lent. There is but one common fund.

3585. I see the following paragraph in the report: "The directors have again apportioned profit to investing shareholders at the rate of 7½ per cent. per annum, to the 31st December last." Do all the shareholders obtain the same rate of 7½ per cent.?—It is apportioned to all shareholders alike; no distinction is made.

3586. Is there not some provision in your rules, or your prospectus, upon that point? Let me pass on to page 7 of the prospectus: "Holders of completed shares receive half-yearly, in January and July, dividend cheques for interest on account of their profits at the rate of 5 per cent. per annum during the first and second years, of 5½ per cent. during the third year, of 6 per cent. during the fourth year, and of 7 per cent. during the fifth year; at the end of which year the balance (beyond the dividends) of allotted profits is receivable; and thenceforth the full amount of profit apportioned is paid without any reservation?"—That is so; that is the mode in which we pay our shareholders; but in the case of holders of incomplete shares, the 7½ per cent. is carried on to their credit; they ultimately get it, but we do not pay dividends to the holders of incomplete shares.

3587. You have, I think, a reserve fund?—There was a balance last year of nearly 3,000*l.*—it is 2,922*l.* 6*s.* 4*d.*

3588. What proportion at the end of each year do you take for your dividend among shareholders, and for your reserve fund?—I do not quite see the meaning of that question.

3589. Have you any fixed sum per annum which you place to the credit of your reserve fund?—No; that is in the discretion of the board of directors.

3590. There is neither a fixed sum nor a fixed proportion?—No.

3591. Has the sum placed to the reserve fund varied much in different years?—It had gradually accumulated until last year. I have not brought with me the last balance sheet, but it has slightly decreased in the last year, in consequence of the payments on properties not having been so regularly made.

3592. What are the fines which you inflict upon members in arrear with their payments in respect of advances?—Rule 12 states that the fine which we inflict is "after the rate of one shilling per pound sterling per month, such fine to be doubled every month the arrears remain unpaid."

3593. One shilling per pound sterling means, I suppose, per pound sterling in arrear?—Yes.

3594. That amounts to 60 per cent. per annum, does it not?—It does.

3595. Have any complaints been made by advanced members of your society as to the high rate of fine?—No. I may perhaps interpolate an observation here, namely, that the monthly repayments are not very large, perhaps 2*l.* 5*s.* 0*d.* or 2*l.* 10*s.* 0*d.*, the fine upon which would be only 2*s.* 6*d.* I think you will find that it is about the same rate of fines as is charged by most building societies.

3596. Your 14th rule provides that "all securities to, and investments on account of, the society shall be taken and made in the names of the trustees for the time being. Should any trustee have any transaction with the society on his own account,



*Mr. W. R. Selway.*  
*Mr. P. Blake.*

17 Mar. 1871.

"his securities and undertakings shall be taken in the names of the other trustees for the time being." Is that rule strictly carried out?—Strictly.

3597. Then no transaction of that nature could be entered into without the knowledge of a trustee?—Certainly not.

3598. The 18th rule provides for the transfer of shares. When you have a sum available for advances to shareholders, how is the priority of advance settled?—Practically there has never been any difficulty in that respect. We have always had sufficient money to give everybody an advance when asked for, in the mode which I explained just now. If we have not the money actually at our bankers, we ask our bankers to lend it to us for a very short time, and it rights itself in the course of a month or two.

3599. I observe that under the 19th rule you give to the members who withdraw, not only the money which they have paid by way of subscriptions, but also "such proportion of the profit as shall be from time to time determined by the board." Do you consider that that can be done with safety to your society?—We think so.

3600. (*To Mr. Blake.*) Do you wish to say anything upon any of the points which I have touched upon?—I may mention that our society does not recognise what are understood by other societies as paid-up shares, that is to say, we make no half-yearly dividend in respect of such shares; the only paid-up shares which we recognize are those upon which the subscriptions are paid in advance, and a discount is allowed. Supposing, for instance, that a man takes up a share on the five years' scale, upon which the annual payment is *9l. 15s. 2d.*, if he pays the whole five years' subscriptions at once we allow a discount of *5l. 10s. 0d.*, taking only *43l. 5s. 10d.* Then no interest is paid upon that share until the share is realised, when it is paid out, the amount being *53l.*, plus any bonuses which may have been declared.

3601. (*To Mr. Selway.*) Were the tables of repayments of your society taken from an actuary?—No, they were not arranged by a professional actuary.

3602. Are they the tables which have been adopted by other societies?—They are similar to those of other societies; there are slight modifications in them which we thought ourselves competent to carry out; they are very similar to those of all the large societies.

3603. In your cash statement for the last year there are the following charges:—*150l.* voted to directors at a general meeting, *15l. 15s. 0d.* to auditors, and *617l. 16s. 6d.* expenses of management, and other items. From what source are those expenses defrayed?—From the profits obtained by lending money to the borrowing members.

3604. Then in fact they come from an extra rate of interest?—We know nothing of extra rates of interest; we have a fixed rate of interest which we consider to be sufficient to pay a bonus to shareholders, and the expenses of management.

3605. But it is fixed at a certain rate which will include these expenses?—Quite so.

3606. (*To Mr. Blake.*) Is that the case in your society?—The basis is 6 per cent. both to the investor and to the borrower, but there are in the working of the society certain profits, which arise thus: an investor's subscription must accumulate to a year's subscription before it begins to bear interest; thus you get the benefit of the current subscriptions. And so again in the case of the borrower; he makes his re-payments at once week by week, or month by month, and you have all the benefit of that capital to lend out again at interest, and by that means, and with the fees and fines, an amount of profit is given to meet these management expenses, and also the surplus profit which goes back to the members in the form of bonus.

3607. You have no special management fund?—No.

3608. (*Mr. Roundell.*) What is the annual amount of your management expenses?—It was *304l.* last

year, but there was voted to the directors *320l.*, you may therefore call it *624l.*, that is the total in the last year's report.

3609. Can you state the proportion which the *624l.* bears to the amount received from your investing members?—About 2 per cent.

3610. Can you state how much is paid on the average, or how much was paid last year to your solicitor for approving titles?—No, that I cannot do, it is paid by the borrowing member himself.

3611. Is it according to any fixed scale?—It is according to a fixed scale. The rule says that the solicitor shall be allowed the following charges:—  
"Where the sum advanced shall be *150l.* or under he shall be entitled to the fee of *4l. 4s. 0d.* Where the sum advanced shall exceed *150l.*, but not amount to *300l.*, he shall be entitled to the fee of *5l. 5s. 0d.* Where the sum advanced shall be *300l.* and upwards he shall be entitled to the fee of *6l. 6s. 0d.*"

3612. Is that for approving the title?—Not only that; it is for drawing up the mortgage, including the investigation of title.

3613. (*To Mr. Selway.*) Can you state the total amount of your management expenses last year?—Our management expenses last year were *783l.*; the total of the receipts was about *40,000l.* which gives for management expenses an average of slightly under 2 per cent. The amount of subscriptions was *11,800l.*; there was *7,500l.* re-payments of advances, and *5,090l.* deposits; and there were various other items. Taking it upon the subscriptions the per-centage is rather more than in Mr. Blake's case.

(*Mr. Blake.*) The deposits in our case amount to *10,000l.*, that is, deposits received on the savings bank system, under which persons may make a deposit as low as *1s.*, and those payments bear only 4 per cent. interest, so that a profit is made by the society, as we lend at 6 per cent.

3614. (*To Mr. Selway.*) What is the scale of payment to your solicitor?—You will find it stated in the prospectus. If the advance does not exceed *200l.* he gets three guineas; exceeding *200l.*, and not exceeding *750l.*, four and a half guineas; exceeding *750l.* six guineas. That is, including all charges, investigating title, and preparing the necessary mortgage deeds.

3615. What was the amount paid last year to the directors?—Our directors are paid by a vote taken at the annual general meeting of the members. The members themselves propose it, and give what they please. *150l.* was voted last year.

3616. Is that the average sum?—It has been the same for a few years. This, I think, is the third year.

(*Mr. Blake.*) That has been our practice, but it has averaged about one-fourth of the surplus profit. If there is no surplus profit the directors get nothing. At first they had no payment, but afterwards it was thought better to remunerate them.

3617. Speaking generally, what is the amount of time bestowed by the directors upon the management?

(*Mr. Selway.*) They meet twice a month; it varies, of course, with the business; it occupies about two hours for an ordinary board meeting.

3618. I understood you to say, in the early part of the examination, that you would wish to see the objects of building societies extended so as to include those of a freehold land society?—I think it desirable that they should have the power of so extending them if it were thought desirable.

3619. (*To Mr. Blake.*) Do you say the same?—I think that it would be desirable to give them that power.

3620. Looking to the large scope of these societies as compared with their original establishment, do you consider that it would be desirable to have any different legislation in future for the larger, and for the smaller societies?

(*Mr. Selway.*) I am not aware that there is any necessity for different legislation.

(*Mr. Blake.*) No.

3621. If you had the incorporation of the societies substituted for the existing mode of conducting them through trustees, do you think that any difficulty would arise in respect of the practice of borrowing money on the deposit of deeds; that is to say, equitable mortgages?

(*Mr. Selway.*) I think that any Act of Parliament should prohibit that.

3622. (*To Mr. Blake.*) Do you agree in that opinion?—Quite so. I think that there should be no pawning of deeds; it is most objectionable. Our borrowers, whose deeds we have, consider that their deeds are quite inviolable and taken safe care of. They are kept in a fire-proof room at the banker's; they are not under any circumstances tampered with.

(*Mr. Selway.*) I would have no desire, and I think that it would be exceedingly objectionable, for any society to borrow money upon the mere security of a deed which is deposited in trust.

3623. (*Mr. Richards.*) What do you mean by an incomplete share?—A share not paid up.

3624. The holder of an incomplete share receives no benefit?—No immediate benefit; when he goes out he gets a portion of it, and if the whole share of 40*l.* is realized he gets the whole of it.

3625. Then, when you say that you pay 7½ per cent., it is only to shareholders who have paid 40*l.*?—We do not say that we pay it; we say it is apportioned subject to the usual regulations upon withdrawal.

3626. Did I rightly understand you to say, in answer to the Chairman, that you would desire that directors should have unlimited power to borrow money?—I did not say that; I said that I thought it most important that they should have power to borrow money; it is for the Legislature to decide whether there should be a limit; my own personal feeling is that there should be a limit.

3627-8. Will you state to the Commission what you think that limit should be?—That is a very wide question; but it strikes me that it would be a very fair one, if it was equal to the amount of the subscribed capital. The amount of our capital upon shares is 33,000*l.*; I think that should be the limit of the borrowing power. You will observe that our deposits are only 9,300*l.*

(*Mr. Blake.*) I may venture to say that I think that the matter might be very safely left with the board of management—that they would not borrow unless they could use the funds, and that those funds generally are advanced in something like the proportion of three-fourths to four-fifths of the value of the property. I observe that in our last balance sheet, including the deposits in the Savings Bank Department with the special loans, and loans from the bankers, which are only temporary, the liability amounted to 53,200*l.*; and the liability to our investing shareholders, in other words our capital, was 57,000*l.*, and that proportion, I think, might be kept; that is to say, that the loans might not exceed the capital. I find in a former balance sheet of 1869 that the loans amounted to 48,800*l.* as against 52,400*l.* of capital.

3629. That capital consisting of subscriptions actually in hand, and any aggregation of fines and other assets?—Subscriptions and interest—the amount received from investing shareholders.

3630. Did I rightly understand you to say that your tables were framed upon the principle of 6 per cent. being paid to investors and by borrowers?—Yes.

3631. And the result of those tables enables you to pay your expenses, and to accumulate a surplus yearly?—Yes, that is the case.

3632. Could you roughly tell me what the operation would be if it were 5 per cent. on either side?—I think that it would be in proportion.

3633. Would 5 per cent. enable you to pay your expenses?—Not to the same extent—in proportion it would, but it would not pay the directors so much for their trouble, or for the management.

3634. Will your experience enable you to say whether, if a table were framed upon the principle of 5 per cent. for borrowers and investors, there would

be sufficient margin to allow for the fair working expenses of the society?—My experience is that there would not, and for this reason: I know a society in our own town where the basis is really 5 per cent. to the investor, and 5 per cent. charged to the borrower. That society has not prospered in the same proportion as our own; they could not borrow to the same extent as we could. We could borrow at 5 per cent., but as they charged their borrowers only 5 per cent. it is evident that they could not afford to give 5 per cent. for money; the consequence was that it contracted their business.

3635. In other words, your ability to give 6 per cent. brought more money to your exchequer?—Precisely so.

3636. And you had a sufficient number of borrowers who were ready to take your money at 6 per cent.?—Yes, and that is considered a very moderate charge compared with many societies in London. A society which is on the basis of 5 per cent. is doing very well, but not to the same extent as our own. I refer to the People's Co-operative Society of Greenwich. I should say that there is a deduction from a 50*l.* share of something like 19*s.*; when a share is completed and the money is taken out, 19*s.* and some odd pence is left behind towards the expenses.

3637. Have you a form of your deposit note with you?—No. The documents for the deposits which I refer to here on the savings bank system consist simply of a little book, similar to the books issued by the old savings banks; but for the special loans (called by other societies deposits) we have a special memorandum drawn up by our solicitor, signed by the trustees, in which they acknowledge the receipt of a certain sum as trustees on behalf of the society.

3638. Your society then borrows money on deposit, with the guarantee of the trustees of the society that the money has been received in trust for the society?—Yes.

3639. (*To Mr. Selway.*) Your society, I understand, does not borrow upon that principle,—the lender merely receives the acknowledgment of the directors that the money has been received by them for the purposes of the society?—Precisely so; it is precisely the same as in ordinary banking, and our deposit note is framed upon the model of an ordinary banker's deposit note.

3640. (*To Mr. Blake.*) Your deposit note would in effect be a charge upon the assets of the society?—Unquestionably, I so regard it.

3641. (*To Mr. Selway.*) And yours would be a claim upon the directors only?—I presume that that would be the technical result. The result of the decisions in the courts has been so various upon this question, that I do not know whether any depositor has a claim upon the assets of the society or not. That is a legal question, however, which I know nothing about.

3642. Did I rightly understand you to say that you would leave it entirely to the discretion of the directors, if they happened to have 3,000*l.*, which in their opinion would not be required for the ordinary exigencies of the society, to buy 3,000*l.* worth of land if in their opinion it was a good investment?—I should. I do not see any objection to that.

3643. Does it not occur to you that that would be altogether outside the objects of what is contemplated by your rules?—As I stated to the Chairman just now, I am only asking for something which may be useful in an eventuality.

3644. It in other words would become a trading speculation?—In such a case there would be the power of making a trading speculation in land.

3645. Your money received from subscriptions and from loans, being put in a bag indiscriminately, if you received in three months more than your borrowers wanted, you would appropriate those subscriptions, and those loans, for the purpose of buying land?—I do not think that we should narrow it down to three months, or any number of months, it would become a

*Mr. W. R.  
Selway.  
Mr. P. Blake.*  
—  
17 Mar. 1871.



Mr. W. R.  
Selway.  
Mr. P. Blake.

17 Mar. 1871.

serious question as to whether the money could be profitably used in any other direction. As I said in answer to the Chairman just now, we could easily limit the influx of deposits, or loans, by lowering the rate of interest, upon which persons of course would instantly cease investing with us.

3646. But still you would ask Parliament to enable you to have powers to expend money received by way of loan for a trading speculation?—Yes. I do not see any objection to it myself, with the limitations which I have given. It becomes very important that societies should have that power, inasmuch as they may often get an opportunity of purchasing freehold land to divide amongst their own members.

3647. Does it not occur to you that a power of that sort might be liable to a great abuse by directors being indirectly concerned in land which might be

bought?—I think that it is exceedingly difficult to draw up anything which would not be liable to abuse; it is just possible that it might lead to abuse.

3648. Do you see any reason why societies with the powers which you indicate should be exempt from the ordinary duties payable on deeds of conveyance?—Only upon the general ground that they are exempt now. The primary object of the societies is for the benefit of the large mass of the people, and by becoming large they benefit a large number.

3649. But I understand you to wish that they should become trading speculations?—I do not wish that they should so become.

3650. You wish that they should have power to become trading speculations?—I wish that they should have power to become so, if events should so happen that it might be necessary for them to become so.

The witnesses withdrew.

Adjourned to Friday next at half-past 11 o'clock.

Friday, 24th March 1871.

PRESENT :

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

SIR SYDNEY H. WATERLOW.

JOHN BONHAM-CARTER, Esq., M.P.

EVAN MATTHEW RICHARDS, Esq., M.P.

WILLIAM POLLARD PATTISON, Esq.

Mr. J. Taylor.

24 Mar. 1871.

Mr. JAMES TAYLOR, junior, examined.

3651. (*Chairman.*) You have, I think, been for some time connected with the building societies of Birmingham?—Yes.

3652. What is the class of building societies which is usual there?—They mostly belong to the working population of the town. We have some 10,000 or 12,000 members in our own offices, nearly all of whom are working men, certainly 95 out of every 100.

3653. Will you name the societies of which you speak?—The Queen's Building Society, the Freeholders' Building Society, the Second Freeholders' Building Society, the United Building Society, and the Friendly Building Society.

3654. Are those terminating or permanent societies?—All of them are permanent.

3655. Are you acquainted with any terminating societies in Birmingham?—There are none.

3656. Are there any of the Starr-Bowkett societies there?—I am not acquainted with any. There are none of that kind in Birmingham, or in the Midland districts.

3657. Will you give the Commission some account of the Queen's Building Society?—The Queen's Building Society, I think, is about nine years old, and the shares are 10*l.* each. I suppose that we have 3,000 members in it. The receipts from that society alone are something like 55,000*l.* or 60,000*l.* annually. The members pay any amount which they please before they borrow, as low as 6*d.*; and there are no fines whatever to investors. We simply tell them to come and bring what they can, and as often as they can, and as much as they can, and that we will not fine them under any circumstances, until after they borrow. There is no entrance fee, and no charge of any sort, except for the pass-book which we give them, which is pre-dated eight or 10 years, showing them every pay-day, and if they come in the interim, as some do, we keep a day-book, and on the fortnightly pay-day we enter the sum which they have paid between one pay-day and another.

3658. What is the amount of each share in that society?—10*l.* We make it 10*l.* because some people like the interest annually, and the Act of Parliament under which we are enrolled does not allow us to pay

any interest annually, until the share is completed or withdrawn, so that if a person deposits 100*l.* with us, he has 10 paid-up shares, and then he is entitled to receive his interest annually over the counter. We began in 1847, and those societies with which I am more intimately connected, have received in the 23 or 24 years over a million and a half of money, and there is more than a million and a half now being subscribed for at our own offices. We are receiving in all, from our own societies, about 130,000*l.* annually.

3659. Does the Queen's Society receive any deposits?—No. We enter all persons who pay us money as shareholders.

3660. Has the society any borrowing powers?—Our rules have just been altered, and a rule for borrowing has just been enrolled, but there is a doubt about it, and persons do not like it on account of the doubt. The borrowing power is up to two-thirds of the amount advanced on mortgage. I think that that is the expression.

3661. Then I understand that up to the present time the society has not borrowed in any way?—Not the Queen's Society, unless it has sometimes over-drawn at the bankers, which will sometimes happen in the building season, that is to say, the summer season.

3662. A loan of that description from the bankers has been repaid from the payments as they have come in?—Invariably.

3663. Have the Queen's Society due to them, as balance on the advances made by them on mortgage, the sum of 118,850*l.*?—That, no doubt, is correct.

3664. And is the amount standing in that society to the credit of investing members 113,136*l.*?—Yes.

3665. Those two sums tally so nearly that they show of themselves that they represent the real business of the society?—Yes, there is a margin of 4,000*l.* or 5,000*l.* in favour of the society.

3666. Do you consider that this society is more properly called a building society than those societies which undertake the loan or deposit business?—It is strictly a building society; every shilling is advanced on mortgages of land or buildings. That is the case in every one of our societies; we do not



*Mr. J. Taylor.*

24 Mar. 1871.

lend a penny on anything but real property. We have 13,000 houses in Birmingham belonging to our working men. We have streets more than a mile long, in which absolutely every house belongs to the working classes of Birmingham.—Albert Road, Victoria Road, Gladstone Road, Cobden Street, Bright Terrace, and so on. Bright Terrace has 28 houses in it, and they are very nice houses.

3667. Do all the houses in the streets which you have named belong to the building society?—Every one of them originally belonged to the building society, but thousands of them are redeemed, the members have paid off every penny, and have had the mortgages endorsed, and of course the property is unencumbered.

3668. But whole blocks or streets, as the case may be, have at one time or other been built in this way?—Yes, thousands of houses. The society does not build houses, but lends the money to a member to build. We have very few instances where a man has more than one or two houses.

3669. What I mean is, that the houses built or purchased by the advanced members of the society, with sums borrowed from the society, are situated in blocks or streets all together?—Yes.

3670. Has any objection ever been taken to that system in Birmingham?—No; we tie them down to a certain order, according to the nature of the property, *e.g.*, to set back to a building line, or that there shall be no back houses, according to the class of the neighbourhood. In some cases we will not let them put any back houses at all, and they must build flush with the street; in some streets they are not allowed to come flush to the street, but are obliged to set back.

3671. It has not been found that the fact being known that these houses were all subject to a mortgage has had any bad influence in deterring the working classes from investing in them?—It has had just the contrary effect. They are the healthiest districts which we have. The streets are all drained, and every man is bound to drain into the main sewer.

3672. Can you give the Commission any further particulars with reference to the Queen's Society? For instance, I notice that other societies in Birmingham take deposits, and also borrow to a certain extent. What is the reason why the Queen's Society has not done so?—Simply because the shares are 10*l.* shares, and according to the Act of Parliament, when a man has 10*l.* in the society he is entitled to receive the interest annually; but in other societies the shares are 120*l.* shares, so that the members would be years and years before they could receive over the counter an annual dividend, or interest.

3673. Then, in your opinion, the lowness of the shares precludes the necessity of borrowing?—Yes.

3674. What is the rate of interest in the Queen's Society?—Five per cent., with an additional bonus of one per cent., making it six. It depends upon the premiums which have been received for the shares which have been advanced. We paid six per cent. for several years, and then we found more money come in than we could well dispose of, and we reduced the interest to five per cent., with an occasional bonus.

3675. That is the rate paid to the investors?—Yes.

3676. What rate of interest is paid by the advanced members?—Five per cent. Upon shares of 100*l.* a member pays 110*l.*, but if he pays off in two years, 8*l.* of that 10*l.* would be rebated at the rate of 1*l.* a year. If he keeps the money five years only 5*l.* upon the 100*l.* would be rebated. He is supposed to be 10 years in paying the 100*l.* borrowed, for which he has to pay 110*l.*,—the mortgage is drawn for 110*l.* At the end of the first year his interest would be charged 5*l.* 10*s.*, that is five per cent. on the 100*l.* borrowed and 10*s.* upon the 10*l.* added as premium for the prior right of advance.

3677. Then he does not pay that 10*l.* at once?—No; he is allowed 10 years in which to pay it, but if he pays the whole under 10 years, as many years as he pays in under the 10 years there is 1*l.* rebate for every year. If he keeps the money only five years we only

charge him 5*l.*, if he keeps it two years we charge him 2*l.*, and if he keeps it eight years we charge him 8*l.*, and so on.

3678. How was that scale of payment framed? Was it framed by an actuary?—No, it wants no actuary to teach us that—experience teaches it—it is very clear, because there is the amount which we have as premium, and the interest upon it. If a man borrows 100*l.*, the premium is 10*l.*, and if he pays 15*l.* 10*s.* in the first year, 5*l.* 10*s.* would be taken as interest on the 100*l.*, and on the premium of 10*l.*, which would reduce the debt, and the next year we charge him interest on the balance upon the last annual pay-day, so that a pound paid on the annual pay-day is equivalent to a guinea paid a fortnight afterwards; because whatever is left unpaid on the annual pay-day, interest is charged upon it for the whole of the following year.

3679. What are the fines for default in payment?—1*l.* per share: that is to say for advanced members.

3680. Supposing that one of those payments of which you have spoken is not made, is the fine simply 1*l.* per share, or is it so much per cent. upon the payment?—It is 1*l.* per share—10*l.* per fortnight on 100*l.*

3681. Is there any limit in your society as to the number of shares which may be held by a single person?—No.

3682. What is the largest number of shares which any person holds?—In the Queen's Society, some members may hold 100 shares, subscribing for 1,000*l.*

3683. Such a person would hardly be a member of the working classes?—Yes, he would, because there is no fine. He may pay any amount which he pleases, as low as 6*l.*, and as often as he pleases.

3684. Then the shares would not be paid-up shares?—No, they would not be paid-up shares. If you speak of paid-up shares, that alters the case; perhaps they have 10, or 12, or 15 shares; in a very few cases is there more than 200*l.* from any one man.

3685. Have any cases of foreclosure taken place to your knowledge in the Queen's Society?—From non-payment?

3686. Yes.—Not a single case. A case of death happened, and the widow could not keep up the payments, and the trustees sold the property, and handed over to the widow a very handsome balance.

3687. With regard to the Queen's Society, and also with regard to the other societies, has any objection ever occurred to the managers of those societies in Birmingham to the making advances on houses not completely built?—We advance on the certificate of the surveyor as the work proceeds, always taking care not to advance too much, and the surveyor or architect is liable for damages if he lets the members receive more money than they should do, or in other words, if there is not sufficient money in hand at any time to finish the property.

3688. Have any cases occurred to your knowledge of losses occurring through advances of that sort?—Not one single case with all our societies. I am speaking now of what has taken place at our own offices.

3689. Then, as a general rule, it has been your practice to make advances upon houses not already built?—In nearly every case we advance money as the building proceeds, unless a man goes to a sale. If a man goes to a sale and buys by auction, the surveyor goes with him by order of the committee, and a cheque is paid if he buys the property; but if he gives more for it than the surveyor has valued it at, he must find the surplus himself in every instance.

3690. Is it the practice that a man goes and purchases a bit of land upon which he builds a house?—Yes; we have in Birmingham a Freehold Land Society. The members of the building society get the land through the land society, and then use the building society to pay off the land society; they get the land very much cheaper in that way. We have bought land at 1*s.* 1*d.* a yard, which would sell at 3*s.* 6*d.* retail.

*Mr. J. Taylor.*

24 Mar. 1871.

3691. Are all the building societies of which you now speak connected in that way with a land society?—The Freehold Land Society is at the same office. But a man is not bound to make use of it. Sometimes he takes leasehold property.

3692. Is much property held on lease in Birmingham?—Yes, a great deal; but we have created a great love for freeholds; our working men are very ambitious to be freeholders, and we have made nearly 6,000 allotments.

3693. With regard to the other societies to which you have referred, I see that the Freeholders' Society seems to be the next largest to the Queen's; it has 1,400 members?—Yes, about 1,400 members. I commenced it in, I think, 1848 or 1849.

3694. The amount which it received during the last financial year appears to have been 19,411*l.*?—Last January was the date of our last financial statement. The report of 1871 I think gives 24,500*l.*

3695. The amount carried to the credit of the investing members was 34,570*l.*?—Yes.

3696. And the balances due upon advances on mortgages were 51,099*l.*?—Yes.

3697. That society had a balance on loans of 11,416*l.*?—Yes; that society takes loans because the shares are 120*l.* shares instead of 10*l.*

3698. Does it take deposits?—Yes.

3699. In what amounts?—In any amounts.

3700. Has it many depositors?—I should say that there would be perhaps 40 or 50; they receive only five per cent. interest.

3701. Are the rates of interest to investors and to advanced members the same as those in the Queen's Society?—Precisely.

3702. Is there any particular difference in other respects between that society and the Queen's Society?—The difference is more particularly in the Freeholders' Society, that the members, whether borrowers or non-borrowers, are fined if they do not pay regularly; the shares are 120*l.* shares, and the premium is 20*l.* on 120*l.* instead of 10*l.* on 100*l.* That is for the prior right of advance. A mortgage for 120*l.* would be represented by 140*l.*

3703. Are the fines for nonpayment calculated on the same basis?—They are 6*l.* per share—the members are allowed to owe to the extent of three pay-days, that is, six weeks, the payments being once a fortnight.

3704. The fines are calculated at so much per share, and not so much per payment in default?—Yes; it is so much per share—1*s.* after an advance, and 6*d.* before.

3705. I see that the United Society, of which you have spoken, has 1,560 members; it received during the financial year, the same as that to which I have referred in the case of the Freeholders' Society, 13,626*l.*?—Yes.

3706. The amount to the credit of the investing members was 14,962*l.*; the balance due upon advances on mortgage was 33,610*l.*, and I see that that society receives loans and deposits?—Yes, precisely the same as the Freeholders' Society does.

3707. 15,167*l.* was the amount of the balance on loans?—Yes.

3708. Is there any difference between that society and the others?—No, except that the shares in it are 100*l.* shares.

3709. In other respects it is the same?—Precisely.

3710. Then there are the Second Freeholders' Society and the Friendly Society?—Yes; they are as nearly similar as possible to the United Society.

3711. There is no special difference with regard to them?—No.

3712. Will you describe the connexion between these building societies and the land society of which you have spoken?—The great object of the land society is to buy a large estate, or in other words, as we have many times put it, to buy land wholesale, and sell it to the members retail at the wholesale price. We gave 33,000*l.* for one estate: we divided it into nearly 500 allotments, and we drained it. We made the streets very nicely, which

were taken to by the parish and declared to be public highways, and whatever it all costs, is what we call the real cost of the estate itself. That we divide among the members precisely at the figure which it cost the society, except that we add something for loss of interest during the time. The result is, that our members have not given half so much for the land, having it in that manner, as they would give by going themselves retail into the market. We get very nice allotments of land at 1*s.* 1*d.* a yard, which if sold by auction would fetch 3*s.* 6*d.*, or in other words, it certainly does not cost the members more than 30 per cent. of what they would have to give if they went individually into the market; because one abstract and one conveyance does, and we make terms with the lawyers, although they do not like it.

3713. Are the managers or directors of this land society, the same persons as those who are managers or directors of the building societies?—No; each society is absolutely independent of the other. They have different officers. Some of the officers may be the same, and some of the committee may be the same, but the members appoint them. The elections of all our officers are annual. We have annual Parliaments, vote by ballot, universal suffrage. The electors are men, women, and children.

3714. What is the number of the committee of the land society?—Thirteen.

3715. How many of those 13 gentlemen are managers, or committee men, or directors, or whatever they are called, of the building societies?—They would not average more than two or three; there are sometimes not two, and in another year there may be four or five,—it all depends upon the persons whom the members may think proper to elect. Some have no connexion at all with the other societies, either directly or indirectly.

3716. Are any of the other officers of the land society connected with the building societies?—The secretary is the same, but he has no vote on committee.

3717. Is the business transacted at the same office?—Yes.

3718. Is the solicitor the same?—No.

3719. Is the surveyor the same?—No; nearly all the societies have different surveyors, and different solicitors.

3720. Are any of the funds of the building societies in any way invested in the land society?—No.

3721. Has it nothing whatever to do with them?—No; if a member of the land society is going to build, the building society must pay the land society off.

3722. Does the land society never borrow any of the surplus funds of the building society?—No.

3723. I suppose that the land society is always known under that name?—Yes; it is known all over the world as the Birmingham Freehold Land Society.

3724. Is it registered as a building society?—Yes.

3725. Under what name?—The Birmingham and Midland Counties Benefit Building Society.

3726. It has, I see, 2,250 members?—Yes.

3727. It received during the last financial year 17,693*l.*; it had to the credit of its investing members 4,663*l.*; the balances due upon advances on mortgage were 27,747*l.*, and the balance on loans and deposits was 22,671*l.*?—Yes.

3728. What is the amount of each share in that society?—30*l.*; that is what we estimate that an allotment would cost.

3729. How are the shares paid?—3*s.* a fortnight, or as much more as the members like—that is the minimum. That is the great advantage with us, that we allow them to pay as much as they please, and charge them interest upon the balance owing on our annual pay-day. We never keep on for half the time fixed by the other societies, which make their members pay so much and no more. We say that 3*s.* a fortnight is the least sum which the members must pay, and that they may pay as much more as they please.

3730. Do those figures which I have read, as



representing the Birmingham and Midland Counties Benefit Building Society, stand also for the land society?—That is the land society.

3731. Would that be an exact statement of the position of the land society?—Yes; that would be for last September twelvemonths. The figures were given to Mr. Higham for the conference last year, when our Bill came before the House. Last September there would be another statement out, but still that would be near enough.

3732. Why was the land society registered as a building society?—Mr. Tidd Pratt, the certifying barrister, would not recognise it as a freehold land society. He said that that title was not recognised in the Act, although we called his attention to the fact that the Act of Parliament used the words “to purchase freehold or leasehold land.” He said that it must be called a benefit building society. We did not care what he called it.

3733. Has that society anything to do with building?—No, it simply buys the land, and retails it to the members at the wholesale prices.

3734. Then that society has the advantage of the benefits of the Building Societies’ Acts under false pretences?—Not exactly so, because the Act of Parliament says that the object is to enable the members to obtain freehold or leasehold property, and freehold land is the best of all freehold property. If Mr. Tidd Pratt had been alive now, I do not think that he would have said that the land society did not come within the Act.

3735. To what Act do you refer?—To the preamble of the Building Societies’ Act, the 6th and 7th William IV., chapter 32, which says: “Whereas certain societies, commonly called building societies, have been established in different parts of the kingdom, principally amongst the industrious classes, for the purpose of raising, by small periodical subscriptions, a fund to assist the members thereof in obtaining a small freehold or leasehold property, and it is expedient to afford encouragement and protection to such societies, and the property obtained therewith: Be it therefore enacted, that it shall and may be lawful for any number of persons in Great Britain and Ireland to form themselves into and establish societies for the purpose of raising, by the monthly or other subscriptions of the several members of such societies, shares not exceeding the value of 150*l.* for each share, such subscriptions not to exceed in the whole 20*s.* per month for each share, a stock or fund for the purpose of enabling each member thereof to receive out of the funds of such society the amount or value of his or her share or shares therein, to erect or purchase one or more dwelling-house or dwelling-houses, or other real or leasehold estate.” There is nothing so real as land. The money is secured by mortgage in every instance.

3736. Then you interpret this preamble to mean a purchase of land as well as of buildings?—Yes.

3737. Is there not a distinction of another sort between land societies and building societies?—Not that I know of.

3738. For instance, does not this land society of which you speak, buy land with the funds subscribed by the members, and divide that land among them?—Yes.

3739. And does not a building society advance to members out of their subscriptions sums of money to be laid out in the purchase of land or buildings?—The building societies do so.

3740. Which land or buildings are then mortgaged to the society?—Yes.

3741. Are not those two very different processes?—It must not be supposed that all our members come on the land society to get the land, some take land on lease, some buy land independently of the land society, and mortgage it to the building society. The moment a man has an allotment from the land society, if he gives us the balance due, we give him the conveyance, and if not he mortgages, and if he

wants to use the building society he must pay that mortgage off.

3742. Is not the difference this, that in the first instance the land society buys land and divides it, and in the second instance in the building society, a member obtains an advance from the building society itself?—Supposing that the price of a piece of land comes to 30*l.*, and that a man has only paid 10*l.*, we want 20*l.*, and we say, “If you want to have this land to build upon, you must go to the building society, and they will advance the 20*l.* to redeem your land, and then you may go to the building society and get money to build upon it.”

3743. Do you not see a difference between the society purchasing land itself, and the members of the society purchasing land singly?—Yes, but many of them will not do it if they can help it, because they will not pay 100*l.* for what they can get for 30*l.*

3744. Then you argue that the advantageous terms upon which a society can buy land in the block, are a great inducement as against single purchases of the kind to which I have referred?—That is the inducement, it is the very thing.

3745. Then do you hold that all building societies should be connected in that way with land societies?—No, I am simply speaking of our own society, and of our own experience. I know that it is not done throughout the kingdom to the extent to which we do it. They somehow don’t know how to do it. The effect of our operations was given before a committee of the House of Commons some time ago by the Chief Superintendent of Police in Birmingham, namely, the effect upon crime; he then distinctly stated (and I believe it to be so now), that we have less policemen in Birmingham than we had 20 years ago, although we have some 70 miles more streets, and 60,000 more inhabitants, and he decidedly attributed it to the habits of temperance and frugality engendered and increased by these societies.

3746. You mean that such habits are increased by the possession by persons in that class of life of their own houses?—Yes; they save their money, and instead of spending it in public-houses, they spend it upon property. They go home at night and cultivate their gardens, or read the newspaper to their wives, instead of being in public-houses. We are the greatest social reformers of the day.

3747. Do you wish to say anything specially upon the Bill of last session?—I believe that the Bill is as perfect as anything upon an imperfect earth can be.

3748. Does that opinion extend to all its clauses?—There may be an exceptional case. I do not remember anything to the contrary. We went through the clauses very carefully, and I believe that that Bill would give an immense amount of satisfaction, and that it would be a very great pity to do anything which would have a tendency to interfere with or mar the success of these institutions. I am quite sure that there is nothing like them for the good of the country, if properly managed.

3749. Do you attach much importance to the clause legalising borrowing powers?—I think that that should be allowed. It has been a very great trouble to us even now, although the rule is enrolled. There is a great doubt about it.

3750. Do you wish to have the borrowing powers limited or unlimited?—I have no objection to having them limited to two-thirds of the amount advanced on mortgage. I am quite sure of one thing, namely, that the trustees will never take money unless they can use it; that is to say, sensible men at all events.

3751. And yet the Queen’s Society, of which you have spoken, hardly requires borrowing powers, does it?—It does not.

3752. Might not other societies work in the same way as the Queen’s Society?—Yes; but for all that it is looked upon rather as an evasion. Some persons look upon it in that light, as an evasion of the rule.

3753. In what way?—In having the shares so low as 10*l.* on purpose to make them paid-up shares.

*Mr. J. Taylor.*

24 Mar. 1871.



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3754. What rule is evaded?—The Act of Parliament speaks of shares not to exceed 150*l*.

3755. But it does not say that they shall not be less?—No; it does not say that they shall not be one shilling, or anything of that kind, but still we know that 10*l*. looks like a ridiculous figure for building a house, or as a share in a building society. I myself do not look upon it as an evasion, because a share may be fixed at any amount under the 150*l*. according to the Act of Parliament. We had a great deal of talk with Mr. Tidd Pratt, the late certifying barrister, at the time. I had an interview with him upon the subject, and he scarcely liked the shares being 10*l*. shares.

3756. The number of shares which each member may hold is not limited in the Act of Parliament?—No; he may hold any quantity.

3757. Therefore you can hardly argue from the Acts of Parliament that the sum of 150*l*., which is named, is the value of a house?—No; it is simply fixed not to exceed that amount, which is a piece of nonsense, because if a man may subscribe for any number of shares, there is no reason why the amount of each share should be limited.

3758. What is your view with reference to the clause in the Bill relating to the investment of surplus funds?—I think that a trustee should have that power generally, but we never require it. We never have more money than we know what to do with; but if we had, we should reduce the rate of interest, and stop its coming in. It is certainly essential that where the money comes in faster than it can be invested in advances to the members, some power should be given to the trustees profitably to employ it.

3759. How would you interpret the words "surplus funds?" Would you interpret them as meaning the surplus funds derived from the payments of investing members, or would you interpret them as including any loans which the society might borrow?—I should interpret them to mean that which the society cannot advance to their own members as fast as it comes in.

3760. That is not now the view, is it?—Yes. When there is a sum of money in the bankers' hands, doing nothing, for which the society has to pay interest, I call it a surplus which is not profitably employed; and I think that the trustees should have power to invest it for six months, or 12 months, or in any other way that they pleased, against the time when it is required.

3761. Might not there be the possibility that the trustees would borrow largely under such a proviso, simply for the purpose of investing?—No.

3762. For instance, the trustees of a building society might borrow for the purpose of investing in a land society?—I never knew such a case. Such a thing may be, but it is very improbable.

3763. Why do you think that it is improbable?—It has never yet occurred within my knowledge. In our land society, if we buy an estate such as I have mentioned for 33,000*l*., we say to our bankers, "We want 15,000*l*., or 20,000*l*., and we will pay you "back on a given day," and the bankers let us have it. They have unlimited faith in us, and we have the same in them. We have never been wrong a single penny; we have the best accountants that Birmingham can produce.

3764. Speaking of your land society, are the conveyances and other transactions which are carried on by it exempt from stamp duty?—No, there is nothing exempt from stamp duty, except receipts and mortgages. Every conveyance is stamped to the full value, and every sale from one member to another has full stamp duty paid upon it. We do not seek to be exempt as regards those things.

3765. You do not propose to alter the law in that respect?—No, I hope not. I should be very sorry for the law as regards receipts or mortgages to be altered; in my opinion it would mar the success of the society. If a man buys a property with 200*l*., of course there will be 1*l*. stamp duty, and he saves 5*s*. upon the mortgage, but the Government gets the

1*l*. on the conveyance, and the property tax afterwards.

3766. (*Mr. Richards.*) Would you in any way limit the interest which the society should pay upon money lent to them?—No, I think not. I think that that would be bad, because the money market varies so materially. Some three or four years ago the rate of interest was nine per cent., and now it is about two per cent. That, I think, should be discretionary.

3767. You would leave the amount to the discretion of the trustees?—Yes, and of the directors.

3768. Might it not happen that a society would come to grief by an improvident rate of interest being paid?—It would happen if they were so indiscreet as to do it, but I never knew it done.

3769. From your experience of the conduct of societies of this character, do you think that that is likely?—Certainly not.

3770. If you had power to receive deposits without limit, and power to make loans without limit, wherein would your society differ from an ordinary banking establishment?—I do not ask for that power. I say that it should be limited to two-thirds of the amount advanced on mortgage.

3771. You would not limit the amount to be lent, so long as the money was received either from loans or from subscriptions?—I should not if it was received from subscriptions, but I should if it was received from loans. If the subscriptions were enough of themselves, we should not take loans.

3772. Assume that your subscriptions in January 1871 were not sufficient to enable you to make the necessary advances, and that the directors determined upon taking in 15,000*l*.?—15,000*l*. would then be profitably employed for the benefit of the society, and very likely some of the depositors would withdraw—they could withdraw their money at a month's notice.

3773. Why should that money necessarily be used to the advantage of the society; the society might borrow at eight per cent., and a reaction might take place, and the society might be able to obtain only five per cent.?—We have power upon a month's notice to alter the rate of interest. We always give a month's notice when we are going to reduce it.

3774. For what periods do you borrow, or for what period would you recommend that a borrowing power should be permitted?—Our present system is not to fix any time at all, but simply to ask for a month's notice. We have been doing so for 25 years. We have never been in that delightful position of having more money than we know what to do with.

3775. In some societies the amount paid for interest is fixed at six per cent., is it not?—Yes, provided that the funds permit—that is stated in the rules defining the six per cent.

3776. But if a large amount were borrowed at six per cent., and lent at five per cent., a considerable loss must necessarily accrue?—No, because there are premiums. But then it is not deposits upon which we give six per cent. It is to the shareholders and members.

3777. I understood you, in answer to the Chairman, to recommend that there should be no limit to your power of taking in loans or deposits?—No; I said that it might be limited to two-thirds of the amount advanced on mortgage, but I said that I did not see any particular objection to its being unlimited, and neither do I now; but still that has not been our practice, and the great guard against it would be to fix the limit of two-thirds, although I never knew the power abused yet.

3778. Having regard to the success which has attended your societies, do you not think that it would be pursuing a safe path not to allow borrowing powers to be exercised beyond one half of the money advanced by way of mortgage?—It would be safe, certainly, and two-thirds would be equally safe, and the new revising barrister, Mr. Stephenson, is certifying rules to the extent of two-thirds.

3779. Of course, my question applies not only to societies managed by a gentleman of experience such

as yourself, but to societies throughout the whole kingdom. Might it not happen, that a large amount might be lent to districts where there had been a sudden influx of labour (take a newly formed iron district or coal district), and where a revulsion of trade took place, and property was depreciated 50 per cent.?—There, no doubt, might be such a thing, but I have never heard of it. I have not known of any case where a society has been so foolish as to lend so much money in one district.

3780. You are giving your evidence upon your experience in Birmingham?—Yes, from what I personally know, and am fully familiar with, and from my general knowledge over the country.

3781. Still, cannot you conceive such a state of things as I have indicated?—I can conceive that such a thing is just barely possible, but it is highly improbable.

3782. Is your mortgage for 110*l.* for an advance of 100*l.* a uniform amount, or does it vary?—In the Queen's Society it is uniform, it is fixed in the rules, that is, the minimum. If a man says, "I will give 12*l.* for the 100*l.*," there being a great many applications, he must pay the 2*l.* down.

3783. Do you allow a larger sum than 10*l.* to be given?—Yes.

3784. How is that regulated?—He pays down all but the 10*l.*

3785. Supposing that six men wanted a share out on one night, and that the society was only in sufficient funds to issue one share, how would it be settled as to who should have it?—They would bid on the ticket.

3786. Would it be one ticket, or would it go on advancing?—It would go three times round.

3787. Will you describe the operation?—Say that there are six men out of 100 new members who wanted the money, each of those six men has three tickets given to him; then the secretary, or one of the stewards goes round and receives the tickets in a box. A man puts down his number on the ticket, and the amount which he will give. If he says 11*l.*, and another says 11*l.* 1*s.*, the highest bidding is announced. It goes round a second time, and a third time in the same way, and the highest figure the third time is sure to have the advance. No name is announced, but simply the man's number.

3788. What is the highest sum at which you have known a mortgage to be taken upon an advance of 100*l.*?—13*l.* and 14*l.*, and perhaps in one or two instances, 15*l.* additional, and then the 5*l.* would be paid down before the man was allowed to proceed any further in any way.

3789. Then 10*l.* premium is the premium fixed by the society, and upon which interest must be paid?—Yes.

3790. And beyond that it is an open question what may be the amount which a shareholder may be required to pay for an advance?—Yes.

3791. Does not it frequently happen that cases of hardship occur from an unlimited amount of that sort being permitted to be paid?—No, it never has happened with us at least.

3792. Because you are always flush of funds?—We are always pretty well off as regards money.

3793. In the case of societies which have been brought before this Commission, in which six per cent. is the rate adopted for payment, the amount of advance for 100*l.* would necessarily be very much greater than your society charges?—It would, of course.

3794. Because the shareholder would pay six per cent. upon 110*l.*?—He pays 6½ per cent., because he pays 1*l.* out of the 10*l.* premium, and then the 10*l.* carries interest, that is 10*s.*, and then there is five per cent. upon the borrowed money, that is 6*l.* 10*s.*; but I should like you to understand that our societies in Birmingham are not societies formed to make the rich richer, the great bulk of them are composed of working men, and they are the most popular institutions which we have in the town.

3795. But might not the effect of this unlimited power be, that the borrowing member is really put in a position of unfairness, compared with the investing member?—No, we equalise everything.

3796. How can you equalise everything, if the investing member receives the large amount of interest which he would do?—The one has the rent of the house to receive. I know many instances in which the house is let for more than the requirements of the society. I know two men who have 1*s.* 1*d.* a week each of rent left, after they have paid all the demands of the society. But we tell our members distinctly not to give such high premiums, and we advise them not to do it.

3797. Can you give us any reason why in your opinion a man holding 10 shares in your Queen's Society, having borrowed money from your society, should be entitled to exemption from a mortgage stamp?—Yes; I think that everything which encourages these institutions ought to be allowed. I think that the preamble of the Act states it better than I can. I think that the Act encourages the protection of these societies.

3798. Take the case of a tradesman, a shopkeeper, who goes into your society, and takes 50 shares?—That would be 500*l.*

3799. Why should he be free from stamp duty on his mortgage?—That man would be 10 or 15 years in paying back that money.

3800. But he may redeem earlier than that?—He may redeem at any time. I am taking the ordinary course of events, and I think that anything which added weight to his payments in anyway whatever would be detrimental to the progress of the society.

3801. Taking the preamble to which you have referred as a guide, is it your opinion that that preamble was intended to encourage frugal habits amongst ordinary working men?—I have no doubt of it. I believe that that was Mr. Spring Rice's statement in the House. The Act was drawn by Mr. Spring Rice.

3802. The object was not to enable people in a higher condition of life to be free from stamp duty?—People would not come to our society if they could get the money elsewhere. If a man could get the money in any other way besides belonging to our society he would never pay 50*l.* premium for 500*l.* Upon 500*l.* the stamp duty would be but 12*s.* 6*d.*, whereas he would have to pay 50*l.*

3803. But I understand you to convey to the Commission that if a man joins your society as a land society, he can buy for 30*l.* what in the ordinary way may be worth 100*l.*?—He pays the full stamp duty upon the conveyance.

3804. But not upon the mortgage?—No.

3805. It is necessary for him to mortgage, is it not?—No: he may have sufficient money to pay us off, and take his deeds away to the building society.

3806. Is not the mode of dealing with the question this, that the land is first conveyed to trustees?—Yes, it is conveyed generally to two or three of the board, and they sign an agreement, bearing even date, to convey it to certain members to be appointed to receive the conveyance.

3807. There is a trust created in two or three members?—Yes.

3808. And that trust recites that upon requisition by the directors, the trustees will convey the property to A B?—Yes, and if the man cannot pay, he mortgages; if he can pay the balance due to us, he takes the conveyance, and goes to a building society.

3809. Is it not the fact that in 95 per cent. of the cases mortgages pass?—No.

3810. How many persons pay off at once?—I should say 50 per cent.

3811. Immediately upon the execution of the first deed?—Yes; because many of them have been in the society for a long time, and have sufficient to pay for the land when it is conveyed to them; they have been preparing for it.

3812. You mean that subscriptions are entered into

*Mr. J. Taylor.*

24 Mar. 1871.



*Mr. J. Taylor.* for years previous to the land being purchased?—Yes. We have some men in our land society who have been in it for years, and have no allotments yet, for the simple reason that they do not want a double mortgage, first to us, and then to the building society, and therefore they wait until they can find a sufficient balance to pay us whenever they can find an allotment.

3813. But it may be a mortgage first to the land society and then to the building society?—Yes.

3814. And then the two mortgages are exempted from stamp duty?—Yes; perhaps the balance of a share is 30*l.*, and the person has paid 20*l.* to the society; the mortgage in that case would be for 10*l.*

3815. With the experience which you have gained in the conduct of the Queen's Society, and in the success which has attended it, do you not think that it is worthy of consideration whether the Legislature should give powers for borrowing?—So far as the Queen's Society is concerned, we do not want powers to borrow; the other societies do, and many of our depositors in the other societies, which I represent, are very uneasy on account of it; they do not like the enrolment.

3816. (*Chairman.*) Their anxiety, I suppose, arises from the fact of the societies in which they have deposited their money, not having borrowing powers?—All our societies now have borrowing powers; the rules have just been altered to that effect, but still there is an uneasiness on the part of the depositors by reason of the contrary decisions which have been given; and many of them do not even now believe in the legality of the borrowing, although the alteration in the rules has been certified. There have, no doubt, been contradictory decisions given, although I cannot just now name them.

3817. (*Mr. Richards.*) In the Queen's Society, which is a well conducted society, you have been enabled to receive a very large sum of money, and judiciously to expend it, without borrowing any money?—Yes; by means of keeping the shares to 10*l.*,—although it amounts to the same thing, it is really borrowing. If a man brings 200*l.* we put him down for 20 paid-up shares.

3818. Except that it is done within the purview of the Act of Parliament?—Yes.

3819. Then it is not the same thing, is it, as lending money upon what is a doubtful state of the law?—No; it is not, and that is the reason why we want a new Act to cover that.

3820. Having regard to the success which has followed the mode adopted by the Queen's Society, do you not think that it may be advantageous to maintain the same course with other societies?—A great many people object to be shareholders at all—they do not want to be called shareholders; they think that there is some liability even in that sense, and they would prefer being depositors, and having the money whenever they thought proper.

3821. Is it your opinion, from your experience, that a large number of the poorer classes would make use of building societies by investing small savings, if they were assured of the entire safety and legality of the funds?—Yes, there is no doubt about it.

3822. Do you think it likely that sums which are now paid in to the Savings Bank, where they receive only 3½ per cent. for their money, would be paid into building societies, where they would be able to receive five per cent.?—It might be so, and I daresay is so now.

3823. But if the state of the law were made clear, do you think that the deposits with building societies would be likely to increase?—Yes, I think so; there is no doubt about it, the uneasiness would be at an end, which is a great point.

3824. The uneasiness being at an end, probably the money would come in more freely?—Very likely it would, and if it came in faster than we wanted it we should reduce the interest, and that would keep it out.

3825. Have you found by many years' practical

experience in Birmingham, that per five cent. is about the rate of interest which brings you in all the money which you require?—Yes.

3826. Then, although you have had experience that five per cent. being sufficient, you would still recommend to the Commissioners that in future legislation there should be no limit to the interest payable on deposits?—We have had to increase the interest, and we have had to reduce the interest. A few years ago, when money was at nine per cent., we should not have had a deposit left, if we had not increased the rate of interest, we should have had a run upon us.

3827. I understood you just now to say you always paid five per cent.?—No, we never pay less than five per cent.

3828. What has been the highest rate of interest which has been paid by you, as far as your memory will now serve you?—I think that when money was dear three or four years ago, we paid 7½ per cent.

3829. For what time did you pay 7½ per cent.?—Until money was cheaper, and then we sent the members the usual monthly notice that we were about to reduce the rate of interest.

3830. How long did that rate of 7½ per cent. exist?—I cannot tell you.

3831. Your normal condition, as I understand you, is five per cent.?—Yes.

3832. When you paid 7½ per cent. what did you charge your borrowers?—We increased the premiums.

3833. Do you mean to say that you increased your 10*l.*?—Yes.

3834. If a man joined your society with a rule that he should be able to get his 100*l.* for 110*l.*, how could you increase that amount?—That was the minimum.

3835. Then do your rules allow the society from time to time to increase that 10*l.* to an unlimited extent?—Yes, if they think proper, so as to meet the money market in a case like that, and to make an equivalent.

3836. Then, although a shareholder may join upon the assurance of the rules that 10*l.* will be the amount to be charged in addition to the 100*l.* borrowed, it may be that it will run up to 100*l.*?—We do not alter as to those who have borrowed. If money was to be dear now we could not alter as to those who have borrowed; we should simply increase the premium of those who were going to borrow.

3837. You would in point of fact make it inoperative for a man to borrow at all?—No, we should not behave so badly as that.

3838. If you borrowed money at 10 per cent., the bank rate of interest being 10 per cent., what premium would you have to put on the 100*l.*?—It would depend upon how low money was at that price. We should perhaps put on 5*l.* or 7*l.*, but I never knew that to happen more than once in all my experience, and I really forget whether it was three or four or five years ago.

3839. Having regard to the almost uniform rate which you have paid, being five per cent., do you not think that it would be a desirable rate of interest to be fixed?—I think it would be disastrous to fix it.

3840. You would leave it entirely an open question?—I would leave it to the judgment of the trustees and the directors. You cannot make laws to meet every contingency.

3841. Having regard to the investment of surplus funds, I understood you to convey to the Chairman that you would allow the investment of surplus funds?—I would, of course.

3842. Then would you put it into the power of the directors, that if they had 2,000*l.* to spare, they should be allowed to invest that 2,000*l.* in any way which they considered desirable?—Yes; for the good of the society.

3843. In the purchase of land?—No, I do not say that. I think that they should have it so that they could call it in case of wanting it for a loan, or anything of that sort.

3844. Then I think that your answer to the Chairman was not very clear. Would you allow a

society to invest surplus funds in the purchase of land?—No, not a building society.

3845. In your answer to the Chairman did you mean to convey that you would allow the trustees to make an investment in land?—No. I think that if they wanted an office for the use of the society, they should be allowed to obtain it. As a rule, I think that their money should always be so invested that they could get at it very easily, at a few months' notice at any rate.

3846. Clause 20 of the Bill of last session states that: "The trustees of any society under this Act may, from time to time as the rules direct, invest any portion of the surplus funds of the society upon real or leasehold securities, or in the public funds, or in or upon any parliamentary stock or securities, or in or upon any stock or securities, payment of the interest on which is guaranteed by authority of Parliament, or upon any other security not being personal security, expressly authorised by the rules of the society?"—Yes; I agree with that.

3847. Surely that gives powers to purchase land?—I should hardly construe it to mean that. I think that it should be something for six or twelve months, where it is obtainable in the event of an emergency.

3848. Then I understand you to say that you would not allow the trustees to invest surplus funds, except upon the terms of those surplus funds being repayable at short notice?—Yes, unless it is for an office for the use of the society; that is my opinion. I have previously stated that. We must look at the surplus in two ways; we may treat it as the profits made and realised and not divided, or we may treat it as the surplus of the ordinary income from subscriptions and deposits, which cannot be rapidly appropriated.

3849. Then you think that those surplus funds should be readily available for the purposes of the society?—Yes; with the exception of purchasing an office for the society.

3850. With that exception you think it unwise to give powers to allow surplus funds to be permanently invested?—Yes. A mortgage would not be permanent. You could call it in at six months' notice, or at three months' notice, if you so put it into the deed.

3851. If the Queen's Society has worked so satisfactorily as you described it to have done, what was the necessity of starting fresh societies?—It was the last one.

3852. Why was there any necessity for starting a number of societies, the first being a permanent society?—They all varied in their origin. The Freeholders' Society has 120*l.* shares, and the payments are different. In the United Society the shares are 100*l.*, and the payments are different. The Queen's Society's shares are 10*l.*, and the payments are different; and the premiums are different in all the societies. In each of the other societies, except the Queen's Society, there are fines for non-payment by investors, and in the Queen's Society there are not. In the other societies there are entrance fees, and in the Queen's Society there are none.

3853. I understood you to say that your first society was a success?—A great success,—that is, the Freehold Land Society, and it is a great success still.

3854. What was your first building society proper?—The Freeholders.

3855. And you are secretary to the Freeholders' Society?—Yes.

3856. Why did you think it necessary to start another society differently constituted from the Freeholders' Society?—We can, perhaps, hardly give a satisfactory reason, except that there were novel and popular features in the later society. In all the others there were fines for non-payment by investors, and there was an entrance fee; and in the Queen's Society there is nothing of the sort. There are no fines for investors, and there is no entrance fee, and sums as low as 6*d.* are received, whereas in the other societies nothing less than 1*s.* 3*d.* was received.

3857. Then the Queen's Society does, in fact, comprise the advantages of an ordinary building society,

with the advantages of a deposit society?—Yes; but they can only have the interest once in 12 months, and under the Bill we could pay them once in six months.

3858. Is that the only reason why you would ask the Legislature to give additional powers?—No, there are several reasons: we want the legality of deposits settled, and there are many other things which I cannot just at this moment think of.

3859. But the amounts paid are legally settled in the Queen's Society, and you go as low as 6*d.*?—Yes.

3860. Giving facilities to the lowest class of persons to become holders of property?—Yes, we have 300 apprentice lads in that society.

3861. And notwithstanding the success of that society, and notwithstanding that it gives undoubted security, you would still require additional facilities for the purpose of receiving deposits?—We do not want them in the Queen's Society, but in the other societies they require them.

3862. Why could not future societies be brought in harmony with the rules which have worked so well in the Queen's Society?—They could be, no doubt, but it would entail a vast amount of alteration in the rules, and a reorganisation of the societies altogether.

3863. May not future legislation make all the necessary provisions?—I think not.

3864. Do you think that that could not be done if the Queen's Society was kept as the foundation?—In old societies they do not like things altered; you have to be very careful with thousands of working men; they suspect something if you alter the old rules to a great extent.

3865. My question rather pointed, not to altering the rules, but to continuing rules which have acted so well in the Queen's Society?—The Queen's Society is right enough. I thought that you were speaking of the others.

3866. If the Queen's Society is right enough, and if you give it all the facilities which are needed for the reception of deposits, the amount received in the Queen's Society being as low as 6*d.*, what additional powers do you think are required?—We want power to pay the interest half-yearly instead of yearly. We should then have more of them.

3867. Is there no other requirement which you think necessary to make the Queen's Society a model society?—I cannot say particularly what other requirements there are. They do not occur to me just at this moment, but I know that there must be something more.

3868. Why do you know that?—I cannot exactly tax my memory with them, but I am certain that there are some things which are not satisfactory even in the Queen's Society, which is the most popular society that we have.

3869. Cannot you tell us, from your great knowledge and experience, what is unsatisfactory?—No, I cannot say that I can.

3870. The fact that you cannot point out anything which is unsatisfactory, rather shows that the Queen's Society is very near perfection, does it not?—Yes, it is the nearest to perfection at any rate.

3871. And that is a pure building society?—I hardly know what that means. We take deposits, but we make the parties shareholders.

3872. But you have had the sanction hitherto of the Registrar of Friendly Societies to that?—Yes.

3873. And it is not, I suppose, impossible to pass an Act of Parliament to give what you require, namely, the ability to pay your interest every six months instead of every 12 months?—Our Act of Parliament will not allow us now to do that.

3874. But an Act of Parliament may be passed to enable you to do it?—Of course.

3875. Assuming an Act of Parliament to be passed to enable you to do that, you would then have a model building society?—Yes; but something has just occurred to me; in the event of having a surplus, under our present rules we can do nothing with it; we want to know what to do with it; although we



Mr. J. Taylor.  
24 Mar. 1871.

never have yet been in that state, it is not impossible that we may be.

3876. I understand you that you would be satisfied if you had powers given you to deal with your surplus by way of loan, so long as that loan was not a permanent loan outside your members?—Yes, so far as that is concerned.

3877. Is there any other point which occurs to you?—No, I cannot think of any at this moment.

3878. The real effect of constituting societies upon the basis of your Queen's Society, would be that they would cease to be banks of deposit?—The Queen's Society is a bank of deposit in one sense; if a servant girl brings 10*l.* she has the 10*s.* every year.

3879. Then she is a shareholder?—Yes.

3880. Is not the difference this, that she cannot get her 10*l.* out without a certain notice?—A month's notice.

3881. How much of the amount paid in would be then repaid?—Every penny of it, and interest up to the day that she gave notice.

3882. Supposing that the servant girl had paid in 3*l.* 10*s.* extending over three years, and wanted to withdraw that money, how much would she receive?—At the end of every financial year five per cent. would be credited to her account, whatever stood to her credit. For instance last December was the annual pay-day, and every penny which she then had in would bear interest, and it would be credited to her account; if it was 3*l.* 5*s.* she would have threepence per month on that 3*l.* 5*s.*, up to the very time that she gave notice to withdraw.

3883. What greater facilities do you think can possibly be given than are given by your society?—We do not ask for any, we do not wish it.

3884. Then that society, as I ventured to say before, is the model of a building society, and of a deposit society combined in one?—We think that it is a model, so far as we are concerned, in fact it is the best and the soundest society.

3885. And it is a building society proper?—It is a building society proper, and a deposit society proper.

3886. But there are no deposits?—Not under that name, we make shareholders of the depositors.

3887. Every depositor becomes a shareholder?—Yes; but many of them do not like it, they think that there is a liability in becoming a shareholder. They think that there is an unlimited liability, and that they are liable to be called upon for anything in the event of bankruptcy, or insolvency, or if anything goes wrong with the society they think that they shall never be exempt.

3888. (*Chairman.*) But if the society simply consists of shareholders, and takes no deposits, and if they can trust the directors of the society only to accept good securities for their advances to members, what liabilities can the shareholders imagine attach to their shares?—That I cannot answer, excepting that they do fancy something. The same question would apply to a bank. There is always a fear with shareholders in banks, and yet we trust our bankers and managers, but still they do wrong sometimes.

3889. A banking business is very different from the business of such a society as I have described?—Yes, but I am now simply speaking of trust and confidence in them. There is a sort of feeling that there is a liability upon shareholders; you cannot get rid of it, and the Victoria case in Birmingham lately has increased that feeling.

3890. In your opinion in such a society as I have described, is there any ground whatever for that feeling?—I think not.

3891. (*Mr. Richards.*) In your opinion would it be likely to allay the feeling if they were called "members," instead of "shareholders"?—We do call them "members;" "members" and "shareholders" are synonymous terms with us.

3892. (*Mr. Bonham-Carter.*) I understand you to say that 95 per cent. of your members are working

men?—Yes, working men and servant girls, and the working classes generally.

3893. Does that apply to all the societies?—All those which I represent, consisting of 10,000 or 12,000 members.

3894. What proportion of their wages do you consider that householders of the working classes spend in rent, as a rule?—I should think about 20 per cent. I think that a man who gets about a pound or a guinea a week would live in a 3*s.* 9*d.* or a 4*s.* house, worth 100*l.* Those who live in houses much below that do not belong to us, they belong to a public-house.

3895. Then the class of men who belong to your societies, are prepared to invest in a house what would be the capital of one fifth of their income?—Yes; such a man could do in a 100*l.* cottage at 4*s.* a week. If he was a frugal man he could work it out in ten years, with overwork if his master would allow him.

3896. That is to say, such a man is prepared to lay out 170*l.* on his house?—No; it may amount to that if you speak of the money which he would have to pay in return, but you must debit him with the rent which he receives.

3897. Would not 4*s.* a week, at six per cent., be the rent of a 170*l.* cottage?—I should say that it would. 10*l.* 8*s.* a year would be five per cent. on 208*l.*, and six per cent. upon about 170*l.*

3898. What should you say are the average wages of the class of men who belong to your society?—They would be from a 1*l.* to 30*s.* a week, the average is perhaps 30*s.* There are plenty as low as 12*s.* or 14*s.* a week, but there are others again, the clerks and respectable mechanics, who get their 100*l.* or 120*l.* a year. There are such members with us, but taking it altogether, the average would perhaps be from 27*s.*, or 28*s.* to 30*s.* a week.

3899. Does that hold equally good with the other societies as well as the Queen's Society?—I speak of all our members.

3900. Is there any difference between those in the Queen's Society, and those in the other societies?—If anything, more of the poorer classes, and boys, belong to the Queen's Society.

3901. Under the present Act, whether legally or not, minors are allowed to become members?—All our rules distinctly say that minors may be admitted as members.

3902. With reference to your previous answer as to boys being admitted, have you any limit of age below which they may not be admitted?—No; if they are very young, we enter the names of their father and mother as trustees.

3903. Have you any rules which provide for the case of fathers or mothers being trustees for children?—No; but the solicitor advised that course as a prudent one, and when the youngster wants his money we get the father to come with him and sign.

3904. You say that the Bill which was introduced last year, is, in your opinion, nearly perfect?—Yes.

3905. Are you aware whether there is any limitation in that Bill corresponding to the limitation of 150*l.* in the present Act?—I cannot speak from memory.

3906. In practice you hold that under the present law, provided the shares are not above 150*l.*, a man may have any number of shares?—Yes; that has been decided.

3907. You have mentioned that in the Queen's Society some persons hold as many as 13 or 14 shares. In the societies where the shares are 120*l.*, are there many instances in which the members hold many shares?—Two or three shares, something like that. Very few hold more. It is not worth noticing. There may be four or five shares held by the same person.

3908. What is there in the Bill of last year, which you think is a perfect one, which is to prevent a person having shares without limit in amount, and without limit in number?—I do not think that it mentions it at all. I do not see why they should be

prevented from having them. Although the limit is in the present Act it is useless.

3909. I understand you to say that everything which encourages these societies by way of exemption is desirable?—I strongly think so.

3910. Is not an exemption from duty or tax, or stamp, a shifting from the shoulders of those whom you wish to encourage, to the shoulders of the rest of the public, of what they would otherwise have to pay?—No, I think not, because I think that you would lose more than you would gain by removing the exemption. I think that the Crown would lose by anything which would be a hindrance, or which would interfere in any way with the success of these societies, because these people after they become owners of a house, pay a property-tax, and they pay in many other ways where they do not now.

3911. Assuming that it is perfectly true that they do become payers of taxes in another shape, is not, so far as that particular tax is concerned, the exemption of the amount of money which would be collected from these members, in fact a distribution on the rest of the public?—If you look at it in that way it would be so; but still for all that, you would find that the revenue would not be diminished, but rather increased, by continuing the exemption. I am quite sure that the stamp duty would be increased.

3912. Supposing that you and I have to pay 10s. tax between us on any particular legal document, and that you are exempted, the taxation of the country depending upon these amounts, would not the burthen of taxation be thrown upon me?—Yes; but there is another way to look at it, namely, that if you place me in such a position as that I cannot pay a tax, then of course, you have to bear it yourself.

3913. My question has simply reference to this particular tax?—I see what you mean.

3914. I understand that, in this Bill which you support, there is no limitation of the amount of a share, and no limitation of the number of shares which may be held by a member. You have told us that in the societies which you advocate, and of which you are the secretary, the members are almost entirely confined to working men?—Yes, the great majority of them. I am simply the honorary secretary; I have not been the acting secretary for 16 years.

3915. You justify the exemptions and advantages which you give by law to these societies, by saying that they are exceedingly valuable in encouraging the spirit of foresight, and industrial investment, in that class of the population?—No doubt about it.

3916. And you have also said that the Bill is not to make the rich richer?—That is quite true.

3917. Then why should there not be in this Bill, which you think perfect, some limitation either of the amount, or of the number of the shares, which shall confine it to the class to which you say in your experience it is confined in practice?—The very operation of the society itself confines it to the right class, because no one would join the society to save the mortgage stamp, when he has to pay ten times as much for premium.

3918. Does he not get the full return of his premium?—No.

3919. He gets his money back again in malt or meal, does he not?—I do not know; it is a wonderfully long way round about to it; it takes him some years to get at it.

3920. If I rightly understand it, there is nothing in the Bill as submitted to the House of Commons which should prevent, as far as regards legal power, a number of rich men combining together to invest any large sums, and in so doing obtaining an exemption from taxation?—The premiums are an utter barrier to such a course being pursued.

3921. As far as the Bill is concerned, there is no legal restriction?—Not that I am aware of, and there is no need to be any, for they will not come in.

3922. One of your societies is the Birmingham and Midland Counties' Benefit Building Society?—Yes.

3923. That is a land society which is registered under the title of a building society?—Yes. *Mr. J. Taylor.*

3924. That society has purchased very large estates?—Yes, that is true. *24 Mar. 1871.*

3925. And it has, in the purchase of those estates, and in the re-distribution of them, certain advantages of exemption from taxation?—No; upon the conveyances the full stamp duty is paid.

3926. But not upon any bonds or mortgages?—No, not upon the mortgages.

3927. In the case of the purchase of 33,000*l.*, which you have mentioned, was all the money paid at once?—Yes, every penny.

3928. What was there to prevent two-thirds of the money being borrowed, if the directors had chosen to take that course?—I cannot tell you; nothing that I know of, but if we had wanted 20,000*l.* to make up the sum, the bank would let us have it.

3929. Without security?—Yes, they have great faith in us.

3930. If that estate of 33,000*l.* had had to be distributed amongst 10 members, instead of the very large number belonging to the society, as long as they were fairly members of the society having a large number of shares, each of those shares being 150*l.*, would not they have been exempt?—Yes, but we should have taken care not to let them have the land. It was not bought for such men as those.

3931. If in this Bill you have no limit as to the amount of the shares, and no limit as to the number of shares, what is to prevent a class very much above the working class availing themselves of it?—They could now do it if they pleased, independently of any Act of Parliament. If a number of gentlemen clubbed together to buy an estate, they could do it, in fact they do do it. They would not humble themselves to come for our assistance, neither do we want them.

3932. Your object I understand to be, to promote a society with what appears to have been the original intention of the framers of the Act, namely, the working classes obtaining their own houses?—Yes, and we have rigidly stuck to it.

3933. Although you have rigidly stuck to it, is it not desirable that a Bill passed to encourage investments of that nature should not be so framed as to grant exemptions to a higher class at the cost of the rest of the community?—If a number of gentlemen like to combine to buy an estate in the same way as we do for the humbler classes, there is no objection to their doing it, and there need be no exemption for them in the way of stamp duty, or mortgage duty, or anything else, because they are not the class intended by the Act.

3934. I understand that you justify the exemptions of the present Act, and which have been extended by the Bill now submitted to Parliament, upon the ground that it is very desirable to encourage these investments by a certain class?—Yes.

3935. Then is it not necessary to be very careful that the Bill should confine the operations to that class?—I think that the necessary operations of the societies would do so; we find that it is so now. No great men of property or wealth come among us to benefit by our association.

3936. But you tell us that you know cases in which members have three or four 120*l.* shares?—Yes, but they are many years over it.

3937. Is an investment of 600*l.* or 700*l.* so small that you think that it ought to be discharged of its contributions to the maintenance of the State?—No, I do not, because it is not so; but one thing I know, namely, that where 600*l.* or 700*l.* is raised, it takes from 16 to 20 years to do it. A man who has been all those years in raising a little fund like that, first buys property, and pays the stamp duty on the conveyance. If he wants 100*l.* or 150*l.* to make up the amount, he takes it from the society, and is simply exempt from the stamp duty of 2*s.* 6*d.* for the 100*l.*

3938. Are you aware that these societies, in many instances, have taken a very speculative turn upon the power which they have of investing surplus funds?



Mr. J. Taylor. —I am not aware of any such case. I never heard of one.

24 Mar. 1871.

3939. You are aware that under the construction of the Act, very much wider powers have been exercised by these societies than you have exercised in your society?—It may be so. I am aware of the present Act of Parliament which says that the shares shall not exceed 150*l.*, but I know that that limit is annihilated by the fact that you may subscribe for any number of shares; practically that limit does not now exist.

3940. Then, whatever the original intention of Parliament was in the limitation of 150*l.*, you know that practically it is evaded?—It is evaded, and everybody knows it. It is as though it did not exist.

3941. (*Chairman.*) Supposing the Bill of last session to become law as it stands, are you of opinion that your land society, registered under the name of the Birmingham and Midland Counties' Benefit Building Society, could continue its operations as at present?—Precisely so, I think. I do not know that there is anything which interferes with it.

3942. Let me refer you to clause 34. You will observe that that clause states that "the trustees of a society, under this Act by the authority of the board of directors or committee of management of the society, may purchase, build, hire, or take upon lease any building for the purposes of the society, and may adapt and furnish the same, and may purchase or hold upon lease any land not exceeding one acre for the purpose of erecting thereon a building for conducting the business of the society," and so on?—Yes, I think that that is right.

3943. By a maxim of law, *expressio unius exclusio alterius*, has your attention ever been called to the possibility of the limit which is named in this clause preventing the trustees of a society from acting beyond it?—I should think that they never would do so. The land society does not buy the land; it is bought outside the land society. The land society advances the money to the members to pay as we convey it to them.

3944. Do not the trustees of the land society buy the land?—No; I have many times had an estate conveyed to me, and then I sign an agreement to convey it again. We pay in that case for two heaps of conveyances, one to me, and the other to every individual member who has an allotment.

3945. In your system do not the trustees incur very serious responsibility?—No, the trustees know nothing about the matter as trustees.

3946. By the trustees I mean the persons to whom the land is conveyed?—No, because we have always plenty of persons to take it.

3947. You are not aware that the responsibility incurred by such people has in any way acted detrimentally to the society?—No, I never knew but of one case, and that was in Newport, in South Wales. The land was conveyed to a Mr. Jenkins as it might have been to me, and he would not reconvey it, and the judge instantly ordered him to do so. That is 16 years ago.

3948. (*Mr. Richards.*) You obtain a mortgage for 110*l.* for every 100*l.* advanced?—Yes; that is in the Queen's Society.

3949. What becomes of the 10*l.* in excess of the 100*l.*?—It meets the working expenses and every other incident connected with the matter, and it enables us to give a bonus occasionally to the shareholders.

3950. The bonus is given to the borrower as well as to the investor?—Yes; it is given to all of them equally.

3951. Then it is scarcely fair to assume that because a man gives 10*l.* for the 100*l.*, therefore he would be debared by that 10*l.* from borrowing?—He is not debared from borrowing, because he does borrow, and there are plenty of persons ready to borrow.

3952. But in answer to Mr. Bonham-Carter just now, you said that you thought that the fact of the 10*l.* being paid by the borrower would be a reason why he would not come to your society if he could

get money elsewhere?—I said that he would not come to our society to escape the mortgage duty.

3953. But he obtains his share of the profit of the 10*l.*?—Yes, but of course he does not get that all back.

3954. But he gets it in the way which Mr. Bonham-Carter suggested, namely, in malt or in meal; he gets it in the way of bonus?—He does not get all of it, or none would be left for the others.

3955. He gets all but the management expenses?—No.

3956. He gets his share?—He gets his share, but you must understand that the investors are always more numerous than the borrowers, and must of necessity be so.

3957. Then these societies having investors always ready, are really of equal advantage to the investors, as they are the borrowers?—It depends upon how that is looked at; it may be looked at in a different light to that, it is no doubt a benefit to all parties, but it is a question whether it is an equal benefit; one has the troubles of his house, and its cares and anxieties, so to speak, and the pleasure of it in addition, but still the borrower certainly pays more money.

3958. But the investor gets a certain five per cent.?—Yes.

3959. And he gets a share of the bonuses which arise from the premiums and fines?—Yes.

3960. Then are not the investors a class of people very frequently beyond the usual class of working men?—No; nearly every one of them is an ordinary working man, in the common acceptance of the word. I am bound to tell you so; I can show you a street a mile long of working men's houses.

3961. How are your directors paid?—When there are eight on the board they have a sovereign amongst them for every meeting—2*s.* 6*d.* each; they are working men.

3962. Are the directors, as a class, working men?—Yes. In the Birmingham and Midland Counties' Society they have 13 half-crowns, and they are divided every night among those who are present.

3963. Is your remuneration as secretary a fixed sum, or an amount per share?—It is an amount per share, except in the Queen's Society, and there it is a commission of, I think, 1½ per cent. upon the proceeds.

3964. Do you mean upon the profits?—No, upon the entire receipts. In the other societies, where they compel the members to pay so much more profit, the secretary has, I think, 1*s.* per share, that is upon 120*l.* shares.

3965. Do you think that the system which is adopted in the Queen's Society, of no fines being levied on investors, has had a salutary effect?—I think so; and we do not enter them for any number of shares, because as they pay whatever amount they like, 1*s.*, 1*s.* 6*d.*, or 2*s.*, or a sovereign, just as they can spare it, we do not make them take a number of shares until they borrow.

3966. You make up your rest once a year?—Yes.

3967. And between those periods the interest not borne?—No.

3968. That process causes profit to the society?—Yes.

3969. (*Mr. Bonham-Carter.*) Can you refer me to any clause in the Act which prevents your dividing at shorter periods than annually?—No; but I know the bearing of it. The words are, "except such shares be repaid or withdrawn."

3970. (*Mr. Richards.*) Is not that the rule and not the Act of Parliament?—I think not. The Act is the 6th and 7th William the Fourth, chapter 32: "Provided that no member shall receive or be entitled to receive from the funds of such society any interest or dividend, by way of annual or other periodical profit upon any shares in such society, until the amount or value of his or her share shall have been realised, except on the withdrawal of such member, according to the rules of such society then in force."

3971. (*Mr. Bonham-Carter.*) Is not a payment every six months "other periodical profit" than

annual?—We have always looked upon it in the light which I mentioned, and Mr. Tidd Pratt always inserted that clause.

3972. Does not the Act of Parliament recognise that, after the share is paid up, annual or other periodical profit may be repaid?—The construction that Mr. Tidd Pratt used to put upon it was that we could not do it; that I know very well.

3973. Am I to understand you that the construction which Mr. Tidd Pratt put upon it was, that although when the share was paid up you might receive annual interest, you might not receive interest for shorter periods than a year?—Yes; we have always had that idea, and we have now.

3974. Then that being one of the reasons for which you wish the present law altered, if it could be shown that the first clause of the Act permitted the payment at shorter intervals than annual upon fully paid-up shares, your objection would be removed?—Upon that point it would.

3975. I understand that, by the connexion of the land society and the building society in Birmingham, a very great length of streets and houses occupied by the working classes, who have in some shape or other, either as members of the land society or as members of the building society, derived their funds from one of the societies, has been built?—Yes.

3976. And without being directly connected, the land society works into the building society, and for the same object?—The members of the building society and the members of the land society are as distinct as any members or societies can be, and so is the management; but if a member of the land society, as I have endeavoured to explain, wants to get a piece of land and build a house, if he likes to use the land society, when we buy an estate, he gets it (if there is any to spare for him), and if he has sufficient funds he pays us off, and puts a house upon it; every man has his individual conveyance.

3977. In the practical working of the matter, does the land society lay out a series of plots in the form of a street?—Yes.

3978. How are those plots dealt with? Does a man who wants to build a house take any plot he chooses, or is there anything to oblige the members to take the plots in succession?—The first thing which we do is to have a plan made of the land; then streets are made and drained, foot-roads are paved and kerbed, and gutters are formed and so on, and whatever it costs is added to the original cost of the land. Then the surveyor divides it into allotments, and makes a plan of it, and he plots the land according to the relative purposes. In some instances there is more land for less money, and in other instances there is less land for more money. We number the plots, and we send a printed form to all the members, saying that a plan of such an estate can be seen, and if they like to make an application they do. If there are more applications than there are allotments (which is always the case),—for instance, supposing that there are 200 allotments and 250 applicants, we put the whole of the names into a box, and throw aside the first 50 which come out, and there are 200 applicants left in the box; then the first name which comes out

The witness

takes lot No. 1, the second name takes lot No. 2, and so on; and we allow them a month to make exchanges, at the end of which time they sign an agreement to execute a conveyance.

3979. Do you know whether in those exchanges money is paid for the exchange?—There may be such a thing, indeed it is sure to be so if there is a better lot,—if a man wants it for business purposes or anything of that kind, he gives a guinea or two,—but those are things which do not come within our cognizance.

3980. I suppose that it is not registered by the society, but it would naturally come under your observation?—I know that such things have been done in some instances.

3981. Do you know whether plots which were valued at the same amount in the original drawing have been exchanged at a premium?—Yes; years afterwards in many instances it is the case, because in a place like Birmingham land is sure to be improving in value.

3982. I mean at the time?—I cannot say; I think not.

3983. It appears from your explanation, that if a man desires to build in a particular street, he may draw a lot which is 200 lots from where he wishes to go?—Or it may be that the man who has lot No. 1 would like No. 200, and there is a mutual exchange.

3984. Anything of that kind in the way of approaching to what a man originally desired must be done by way of exchange afterwards?—Yes.

3985. A member of the land society being in possession of his plot, is it the case that he generally builds upon the plot?—Yes, nearly always, or he lets it.

3986. Is it generally for the purpose of building for himself that he obtains the plot?—Yes, in nearly every instance.

3987. Is the next step which he takes, if he has paid for his land, to go to the building society with that land as security, and raise money for building the house?—Yes.

3988. And that is the usual form in which the working man of Birmingham obtains his house?—Yes; if he uses the land society, it is just the form.

3989. Do you make any stipulations with regard to the way in which shops are to be put upon the ground?—On some of the estates we do not allow them to put shops; on others they put whatever they like. In Victoria Road we compel them to set back four yards, and in Albert Road six yards, and in Gladstone Road eight yards, according to the depth of the land.

3990. Do the land society make any restrictions as to public-houses or beer-houses?—I think not; but they can do so, and I am not quite sure that they have not done so in what we call Gladstone Road, Highgate. I think that no public-house, and no workshop, and no retail shop of any kind can be put upon it. I think that that is the last portion, or nearly so, which we allotted. It is in a very respectable neighbourhood.

3991. (*Sir S. Waterlow.*) Are the allottees tied down to one uniform style?—They are not tied down to style, but they are confined to a building line.

Mr. LINDSEY WILLIAM WINTERBOTHAM and Mr. HENRY ISAAC BROWN examined.

3992. (*Chairman to Mr. Winterbotham.*) I think that you are connected with the Stroud Provident Benefit Building Society?—Yes.

3993. (*To Mr. Brown.*) What is the name of the society which you represent?—The Bristol Equitable Permanent Building and Investment Society.

3994. (*To Mr. Winterbotham.*) What is the number of members in the Stroud Benefit Building Society?—At the present time a little over 1,000.

3995. Can you state the amount which was received during the financial year represented in your last report?—The amount received for the year ending

the 31st July 1870 was in share subscriptions 2,672*l.*, and in paid-up shares 1,660*l.*

3996. What is the amount of the shares?—120*l.*, but they are sub-divided into half shares, quarters, and eighths. We take as low as 1*s. 8d.* a month from an investing member. This society was formed more especially for the working classes in the neighbourhood, and it has been endeavoured to be kept to them, by not making very large advances on the one hand, or seeking any very large investments on the other.

3997. And your members principally consist of the working classes?—Yes.

3998. As a rule, does each member hold a whole

Mr. J. Taylor.

24 Mar. 1871.

Mr. L. W.  
Winterbotham.  
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Brown.

24 Mar. 1871.

share, or a half share, or a quarter share?—I should say that there are more single whole shares held, but there are a great many members who hold two or three, and even four or five. A great many hold half shares of 5s. a month.

3999. Do you find that that division of your shares is of any advantage in inducing members to join, who otherwise could not have afforded to do so?—Decidedly; that is the reason why we have recently reduced the payment to what it appears at first sight rather a paltry thing, namely, 1s. 8d. a month, in order to take in the poorest.

4000. Can you state the amount at present standing to the credit of the investing members of the society?—At the date of the last balance sheet it consisted of two sums, 11,946*l.* and 25,337*l.*, making 37,000*l.* odd.

4001. Why is that divided into those two sums?—We take paid-up shares. I am not quite clear that it is consistent with modern decisions, and that it is safe; but we have been in the habit of receiving paid-up shares, that is a deposit of 60*l.* down in lieu of a monthly payment of 10*s.*, both realising at the end of the 14½ years the same sum, namely 120*l.*; and a deposit of 30*l.* instead of 5*s.* a month, both realising 60*l.* at the end of 14½ years.

4002. Do you find that the paid-up shares or the monthly payments are generally preferred?—The monthly payments are certainly the most practically useful for the working classes, but both modes are very much used by them. There are a few tradesmen among our members, but the bulk of them are working men.

4003. Which of the two sums which you have mentioned represents the paid-up shares, and which the monthly payments?—The larger sum represents the paid-up shares, but since this report was published we have been decreasing those paid-up shares, and taking the monthly payments. The reason which I had for advising that was, that I had some misgivings as to the legality of the paid-up shares, on the ground of the clause in the Building Societies' Act, which says that you shall only pay 1*l.* per month in respect of each share. That has been got over in another society in the same town, by making their paid-up shares 1*l.*; and if a man wants to deposit 50*l.* he takes 50 shares.

4004. What interest do you pay to investors?—Five per cent., with any bonus which the profits afford—five per cent., compounded annually.

4005. What do you mean by "compounded annually"?—Supposing that any one made a subscription of 10*s.* a month, it would, at the end of the year, come to 6*l.* At the end of the next year the account would be credited with 6*s.* interest on the aggregate of the previous year. We do not give them the interest *per* month but *per annum*, though they pay *per* month; but they get a bonus occasionally which more than covers it. We have paid 130*l.* for 120*l.* in most cases.

4006. What are the balances now due to the society on its advances upon mortgage?—37,371*l.* was the amount at the date of the last July account.

4007. At what rate of interest are your advancees made?—The mortgages are nominally at five per cent., but there is a commission, and I should estimate them at 5½ to 5¾.

4008. Is there any premium?—No.

4009. How are the advancees made? how do you decide on the preference?—We are a permanent society, and we lend to whoever asks, provided we have the funds and approve the security. Persons very often become members for the sake of borrowing.

4010. Have you any deposits or loans?—A very trifling number. In this account I see that there is 45*l.*

4011. Then, as a practice, you do not receive deposits?—We do not, but we think that we should.

4012. What advantage do you think would result from your doing so?—We find that it is very difficult to compete with a society which takes deposits at 4 or 4½ per cent., if we have to give our investors 5 per cent. That is my reason for doubting the prudence of an unlimited power to borrow, namely, that we as a society combine the two objects, first, the finding a fund for investors, and secondly, a fund for

lending. A society which does not effect both those objects, but which is simply a loan society, can borrow their money at 4½ or 4 per cent. on deposit, and can of course take the same rate from the borrower, but then they are not furthering the other object, namely, the providing a good investment for people who do not want to borrow.

4013. They, in fact, take another class of business?—They take one side instead of both.

4014. Do you consider that your society has answered its purpose of providing the working classes with dwellings?—Very decidedly; it has increased the demand for cottage properties; it has supplied an immense number for the district. It is not a very large society, but it has been in operation now for 20 years, and it supplies a vast number of cottages to the working classes, and is very greatly appreciated by them.

4015. Is the only advantage which you consider would result from borrowing powers that of placing you in a better position to compete with other societies?—No; I think that without borrowing powers it is very difficult to work a society at all. When we started our society we found that most of our Stroud men were investors, and our funds began to accumulate; we struck out agencies, and found some vents in other districts for lending, but it is impossible in any one neighbourhood to keep the balance so true between investing and lending as that the society can do without the power to borrow.

4016. By the power to borrow I do not mean the power to receive a temporary loan from the bankers, but receiving loans and deposits as a regular practice?—I think that up to a certain point it would be very beneficial to the working classes, as they get now nothing but their three per cent.; indeed, we have done it, but we have done it under the name of paid-up shares. A man at the end of 14½ years accumulates his 120*l.* by his monthly payments, and he brings it back to us as two paid-up shares.

(Mr. Brown.) I think that you would find it impossible to work a society by monthly subscription alone.

(Mr. Winterbotham) Yes. We have due on loan 37,000*l.*, and we have only 11,900*l.* odd owing on our monthly subscriptions; the difference represents borrowing under another name. It would be impossible otherwise to work a society, unless it was a very remarkable district, indeed, in which you could make all your investors and borrowers just fit.

4017. Still is there not rather a difference between the power which you want for that purpose, and the power to make your society a deposit bank?—Yes. My own personal opinion is, that the power to borrow ought to be limited. I think that they ought not to be at liberty to make it a deposit bank, or a loan society, but that investing on the one hand, and lending on the other at monthly payments should be the main object, and that the borrowing should be an incidental thing, though a necessary thing, to the carrying out of the real legitimate object.

4018. Has your attention been called to the clause as to borrowing powers in the bill brought in last session with reference to the building societies?—Yes, I believe that it was unlimited.

4019. What limit do you suggest?—I think that the limit must be regulated obviously by the amount invested, because to limit it to the amount which is out on mortgage, would not be any limit at all. If you borrowed 5,000*l.* and put it out, you would have a justification to borrow 5,000*l.* more, and you would go on to an unlimited extent, but I think that you might be at liberty to borrow to the extent of your legitimate investments in periodical and paid-up shares, at the full rate. For instance, that our society should be able to borrow up to the amount of 35,000*l.*, that being the amount of their monthly and paid-up shares.

4020. (Mr. Richards.) All your investments having been made from money received from your members?—Certainly.

4021. (*Chairman.*) I see that in the first rule of your society, which relates to the objects of your society, no mention is made of any loans or deposits?—No, there is nothing in the rules, I think, beyond the provision in the 27th rule, which is headed, "Power to borrow," and which is: "The trustees or directors shall have power to borrow from their bankers or any other person or persons, such sum or sums of money as shall from time to time be required for the purposes of the society, and the banker or other person or persons lending the same, shall not be required to see to the application of the same." There is no doubt that that rule is now illegal according to a recent decision; there must be a limit.

4022. The rule to which I refer states the object of the society to be, "To raise a fund from which its borrowing members may receive advances for the purchase of freehold, copyhold, or leasehold property, land, or buildings, or for the erection of houses, to be repaid by small monthly instalments, and to be secured by mortgage to the society until such advances are repaid?"—Certainly.

4023. What is your view of the legitimate objects for which building societies were originally founded?—They were two-fold, namely, to provide a good investment for the savings of the working classes, and to provide a fund, out of which they could get advances for purchasing their own freeholds, repayable by easy instalments, as they could bear them.

4024. I suppose that you would deduce from that that the privileges afforded by law to building societies were intended only for societies who should fulfil those objects?—I think so. I do not think that they should be made mere loan societies, to lend the money of capitalists.

4025. Is it your opinion, that by making such alterations in the law as proposed in the Bill of last session, other societies than those which were originally contemplated, would become entitled to these privileges?—I think it is possible that, with the unlimited power to borrow funds which is given by that Bill, societies which did not fulfil the condition for investors might be established, but only to that limited extent. I think that a capitalist lending 4,000*l.* or 5,000*l.* might put out his money in that way. Such societies would fulfil the borrowing part, but they would not fulfil the investing part.

4026. Then you think that the insertion of a limit on the borrowing powers would be a sufficient guard against that?—I do.

4027. Has your attention been at all given to the possibility of land societies gaining the same benefits under that Bill?—Yes; I have not considered that matter much. We have very little to do with land societies in our district. I have not considered the subject very carefully, but they do practically operate now under the Building Societies' Act, and I should think that they would get some advantages under that Bill. I do not think that it was contemplated by the original Building Societies' Act that land societies should be formed under it, to buy land and deal with it.

4028. You look upon that more in the nature of a speculation?—Yes; but it is still very often a very useful speculation for the working classes, in districts not like ours. Our district is full of cottages—every one has a separate owner, and there are plenty to be bought. In a district where you have nothing of the kind, and where you want to cut it up and provide that accommodation, the land societies, I think, are very useful.

4029. What is your view as to the investment of the surplus funds of a building society?—We invest ours on mortgage. I think that it can be done safely; we invest them on ordinary mortgage in the names of the trustees, and we place the proceeds to the income of the society. We invest the money at five per cent. It is subject, of course, to the ordinary stamp duties. I think that that money can be safely invested on mortgage, and I therefore think that it is a loss to put it in the funds.

5030. Can it be as easily recalled, if necessary, if it

is invested on mortgage?—No, obviously not so easily as in the funds.

4031. Is not that rather an objection to the investment of surplus funds upon mortgage?—Yes, if the object of the surplus funds is to meet sudden calls, but the object of the surplus funds is to meet troubles which do not come all at once. I think that if the money is on mortgage it is sufficiently available for the loss on a particular year's transactions.

4032. What is your definition of "surplus funds"?—The balance of assets which we have, after reckoning all our liabilities.

4033. Arising from whatever source?—Arising from whatever source. We carry over to a permanent guarantee fund enough to make a guarantee of five per cent. upon all that we have invested upon mortgage for the time being. For instance, our guarantee fund is 1,894*l.* 2*s.*, which is exactly five per cent on the 37,371*l.* 10*s.* 10*d.* invested; we always keep that proportion.

4034. Supposing that your society had the power to borrow, and that they exercised it, should you consider money derived from loans in the nature of surplus funds, and treat it accordingly?—No; any profit which we made out of it at the end of the year would be surplus, but, of course, we should treat it as a liability, and we should owe it to our depositors, just as we should owe to our investing members the amount to which they are entitled. We keep our accounts in the ledger in such a way that when we come to the end of the 14½ years term, which is our term, it always ends in a fraction to the credit of the society, on both sides of the account. The consequence is, that our accounts are a little untrue against ourselves, but it is only a fraction, so that everything which we call a surplus is really a surplus.

4035. Has your attention been called to the wording of the clause in the Bill which proposes to deal with the investment of surplus funds?—I do not remember it at this time. I looked at it last year. I do not think that it would be at all an objectionable power.

4036. Under that clause might not the trustees of any society first borrow money upon loan, or take it upon deposit, and then invest it, treating it as surplus funds?—Not legally; it would not be a surplus unless they had got it after answering their liabilities. Money lying at their bankers' is not a surplus fund. If they borrowed 20,000*l.* and put in their bankers' hands, I should hardly call it surplus funds. I understand surplus funds to be assets beyond liabilities.

4037. Do you think that all building societies take the same view of the word "liability" as yours does?—I should not be satisfied with the balance sheet if it did not do so. We have never used the word "surplus" in any other sense than the balance which we have upon the assets and liabilities account.

4038. What are your views with respect to the limit to the amount paid upon any share at any one time?—I think that it should be unlimited, because it is capable of entire evasion. I have said that a society established with us makes 1*l.* paid-up shares, and a man who wants to pay in 50*l.* takes 50 shares of 1*l.* each.

4039. Then you think that that limit had better be abolished?—Decidedly.

4040. What is your view with reference to the investments of minors in a building society?—I think that it is very desirable that they should have the power. I cannot say that I have quite made up my mind whether the clause which requires the father's consent ought or not to be abolished. In some cases it would be very desirable to abolish it, where the father is a dissolute bad fellow (which is very often the case in our manufacturing neighbourhoods), and that the children should invest. I decidedly think that they ought to be allowed to invest.

4041. I do not observe that clause 35 in the Bill, which proposes to allow minors to be elected as members of the society, refers to the consent of the father?—It does not, but the present law is so; the parents must consent on their children first joining.

4042. A minor under the present law, or under this

Mr. L. W.  
Winterbotham.  
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Bill, could only become an investing member of the society?—Clearly so, because he could not execute the security.

4043. Therefore he could only be partially admitted to its benefits?—Yes; but still the habit of early saving needs no remark. I should say that in our neighbourhood particularly the youths of 15 and 16 are earning their livings quite independently of their fathers, and pay their fathers for their board and lodging.

4044. Is there any other point which occurs to you upon which I have not questioned you?—Yes, there are one or two points which have struck me. One is, the very unsatisfactory state of the decisions as to the qualification for the franchise given by the building societies. There is a deduction made of the whole amount payable by the member out of the annual income of the property. That is a revising barrister's decision. This virtually excludes the best portion of the working classes—I mean the saving one—from the franchise.

4045. You refer to the county franchise?—Yes; I am speaking entirely of the county franchise. It excludes the best of the working classes, namely, the men who are trying to obtain their freeholds. There is indeed a decision, but a very doubtful one now, which somewhat shakes the old decisions; but the decision before was that if a man had a house and he was charged with 6*l.* a year, and it produced 5*l.*, though it might be the very last year of his payment, when he was just finishing up and had nearly the whole interest in the property, he could not vote.

4046. (*Mr. Richards.*) Is not that overruled now?—I think not; the general impression is that the later decision does not overrule it.

4047. (*Chairman.*) What remedy would you propose?—That it should be first ascertained what rate of interest the society are really charging the man; secondly, what is the present redemption value of his security; and that the interest on that sum only should be taken out of the annual income of the property. I cannot read the last decision, it is hardly understandable, at least to some of us.

4048. Is there any other point which occurs to you?—There is a question upon the liability of trustees for signing deposit notes and checks, which it seems to me should be set at rest.

4049. What is that question?—It has, I think, been decided that a trustee who signed a deposit note was to be held personally liable to the depositor for the amount.

4050. In a society which had not borrowing powers?—Yes, perhaps that was so.

4051. Was it not almost the invariable custom in the origin of building societies, that loans were made upon the promissory notes of the directors?—I should not say so. Most certainly the class of directors which we have upon our society would not stay there for an hour if it was so. Our directors are in no way responsible to their bankers, though we overdraw thousands when we want to do so.

4052. Then you suggest that as an evil to be remedied?—Yes. The trustees especially, where they are entirely unremunerated, and the directors, who in our society do not receive a penny, being generally men of position, certainly should not be personally responsible, unless for their own wilful default, the same as in the case of any other trustee.

4053. Have you anything else to suggest?—A question as to winding-up was suggested to me, but it is not a very important one, namely, that a *locus standi* is not given to the shareholder himself to petition for winding up. It does not, however, bear to my mind the importance which it was put to me as bearing. There is also a question raised which ought for convenience to be set at rest, unless stamp duty upon these securities is entirely abolished, namely, whether if you make a mortgage for 400*l.* to-day, and a mortgage for 200*l.* to-morrow, the 200*l.* mortgage is liable to stamp duty or not. I say that under the words of the Act you have nothing to do but to make a number of successive further charges, to avoid the Act altogether. The duty now on mort-

gages, being reduced to 2*s.* 6*d.* per cent., is so small that it would not pay to do it, and that I believe is the best answer to it. There is another point which I should like to mention. There is, I think, no reason why a distinction should be kept up, that we can only allow a withdrawal of 20*l.* without administration, and the savings banks can allow 50*l.* The proposed Bill, I think, remedies that. A withdrawal up to 50*l.* without administration, where satisfactory evidence is given that it is not proposed to take out administration, seems to me not only just and reasonable, but certainly as just as it is in the savings banks, where it is now the law.

4054. (*To Mr. Brown.*) What is the number of members in the Bristol Equitable Society?—I have formed two societies, one upon the terminating principle, and the other upon the permanent principle. I agree with a good deal of what Mr. Winterbotham has said, but with some portion I do not agree, where my experience will not allow me to do so. In the terminating society, which was to last 14 years, we altogether obtained a capital of 60,000*l.* We could have lent out double that amount, but we were obliged to refuse, because we never exercised borrowing powers. Our trustees and directors were against borrowing, and they did not borrow. Our usefulness was limited very considerably, we having borrowers to the amount of double and treble our monthly returns, and the society was very much crippled in its usefulness. We found it impossible to comply with the demands made upon us to buy houses, because our monthly subscriptions were quite inadequate to it. If we had availed ourselves of borrowing powers, we should have been four or five times as useful as we were.

4055. You refer, I suppose, to the early stages of the existence of that society?—It was started in 1844, and terminated in 14 years.

4056. For how many years in the early existence of that society did that demand for loans last?—Up to within six or seven years. As we got on it was almost impracticable to make advances, and therefore we found the benefit of the permanent principle.

4057. You mean that borrowers did not come in?—Yes. Seven or eight years had elapsed, and then they would have to make good past subscriptions.

4058. That is always the case in terminating societies, is it not?—Yes, and we found the great benefit of the permanent principle. But in the permanent society, one of our trustees especially objected to borrowing, and we deferred to his views, and for 14 years we never borrowed. What was the consequence? Our society, formed upon the model of one of the most economical societies, and one of the best and cheapest in the kingdom for borrowers, has done a less amount of business than any society in Bristol of the same standing. There were societies lending at 6½ and 7 per cent., and they lent out 10 times what we did at 5 per cent. Our trustee, a very able man, Mr. William Hierapath, the first chemist in the country, said, "I will not consent to borrow; out of debt, out of danger." We adhered to that principle, and consequently we did far less than our neighbours. By-and-by he gave way. I convinced him that the borrowing power was absolutely necessary to success, and he reluctantly gave way, and we have made much greater progress since that time. I should say that, although we are the best formed society in the city of Bristol, we have lent the least amount, simply because we have not exercised borrowing powers.

4059. What did Mr. Hierapath mean by "out of debt, out of danger"?—I suppose he was afraid of liability coming upon him.

4060. As a shareholder?—No, he was not a shareholder; it was excess of caution. He was a trustee for the terminating society, and also for the permanent one, and a very valuable trustee he was. He gave up his time and never complained, but he decidedly objected to our borrowing, and we were crippled. All the other societies went before us. I consider the borrowing powers to be essential to the effectual work-

ing of any building society, and that no building society can carry out its legitimate objects unless it has such borrowing powers. I do not think that, if the limitation which is contended for by Mr. Winterbotham were extended, it would be in the least detrimental. I think that the power to borrow ought to be regulated by the law of supply and demand. If you give me an unlimited power to borrow, I shall not borrow more than I want, and you can safely trust that power to the directors of a building society. The directors are very scrupulous not to borrow more than they want, or the money would be lying idle at the bankers.

4061. I suppose that the directors would borrow as much as they could lend?—Yes, and that is the law of supply and demand.

4062. It might be a question whether they were acting wisely in lending so much?—It all depends upon their having good security for their loans.

4063. Can you give me any facts as to the present condition of your permanent society? what is your number of members?—I do not think that we exceed 500 members. We have suffered a great deal from the operation of Mr. Herapath's objection. We should have doubled and quadrupled that number if we had carried out the borrowing powers. Until the last five or six years we have not exercised the borrowing powers. We perhaps do not get more than 6,000*l.* or 7,000*l.* a year, and I say that it is impossible for the money of working men practically to carry out a building society, they have not the means. 10*s.* a month will not do it.

4064. What was the amount received last year?—From all sources about 10,000*l.*; 5,000*l.* or 6,000*l.* would be borrowed on what we call debentures, &c. We take about 500*l.* or 600*l.* a month in our regular subscriptions.

4065. What is the amount now standing to the credit of your investors?—Altogether it would not exceed 30,000*l.*, including our debenture holders, as well as our investing members.

4066. I am simply speaking of the investing members?—I should think that it is not more than half that sum. I have not the particulars at my fingers' ends, but I should think about 15,000*l.*; I should not think that it would be more than that.

4067. Can you state approximately the balance due upon your advances on mortgage?—About 30,000*l.* We have no money lying idle; we are very careful not to have any money lying idle.

4068. What is your balance on loans and deposits?—I should think about 10,000*l.* We have received on deposits from 10,000*l.* to 15,000*l.*, and our society is worked upon strictly arithmetical principles. We give five per cent., compound interest, to our investing members, calculated monthly. We do not get a farthing profit by the transaction between the borrower and the lender; the borrower pays us only five per cent., and we give the investor five per cent. compound interest. We actually give more than we receive. The borrower pays five per cent., and pays the money off monthly; we take his monthly payment and make compound interest of it, and the whole of that goes to the investor, and we have not a shilling for working expenses. We provide for the working expenses by direct taxation—by a commission of five per cent. upon the interest or profit realized. That is a very fair and legitimate way, but people do not like it; they object to it, and it is very unpopular. If they see it they object to it; if they do not see it they do not object to it. We make compound interest of the five per cent. from the borrower, the simple and the compound interest both go to the investor, and upon the simple interest we charge a commission of five per cent. to pay the working expenses. Professedly we do not make a profit, but yet we do make a profit, simply by good management.

4069. Is any actuary responsible for that arrangement?—Yes, one of the best actuaries in the kingdom, Mr. Theodore Jones, one of the first accountants of the day; his tables are the most honest, simple, and

correct of any tables in existence; they have been tested by the first actuaries in the kingdom, and their correctness has not been able to be disputed; but they are far from popular, simply because he goes upon the principle of direct taxation. By his tables, each member has to pay 1*l.* 16*s.* 10*d.* tax upon his share when he comes to borrow. Now if I give the member the full value of his 60*l.* share, and he pays the working expenses and the cost of his mortgage deed by an additional 1*s.* per share per month during the whole period, he will not object to it; but if I deduct 1*l.* 16*s.* 10*d.*, he complains directly, and says, "What a dear society you are," so that the working classes need to be greatly enlightened upon their own profits.

4070. What is the amount of your shares?—They are 60*l.* shares.

4071. Do you take paid-up shares?—Yes, from the commencement.

4072. What are the payments per month upon the shares not paid-up?—10*s.* per month; in 13 years and 11 months we find that we pay it off.

4073. Have you any fines for the nonpayment of the advances?—Yes, and the same as regards investing.

4074. What is the rate of fines upon default of payment on advances?—6*d.* per month on the first subscription, and 1*s.* a month afterwards. We do not accumulate except a man goes six months, and then we charge him 2*s.*

4075. How much is the money payment?—10*s.*

4076. Then it is 6*d.* per month on 10*s.*?—Yes.

4077. What rate of interest per annum is that?—I do not know. We do not get 15*l.* in a year from our fines, they pay up very regularly. I have been now 30 years connected with building societies, and I do not think that I have had 20 sales of property through the members' default.

4078. (*To Mr. Winterbotham.*) What are the fines in your society?—The fines on unadvanced shares are 6*d.* per month per share for every monthly subscription not more than six months in arrear; and 1*s.* per month per share for every monthly subscription more than six months in arrear. The fines on advanced shares are 6*d.* per month per share for every monthly subscription not more than three months in arrear; 1*s.* per month per share for every monthly subscription more than three, and not more than six months in arrear; 1*s.* 6*d.* per month per share for every monthly subscription more than six and not more than nine months in arrear; and 2*s.* per month per share for every monthly subscription more than nine months in arrear. A man who has three shares would pay three fines and not one.

(*Mr. Brown.*) The fines are mostly accumulative, which makes the amount very heavy.

(*Mr. Winterbotham.*) There is a power to remit fines, which is very largely exercised on our part in all cases of sickness, or anything of that kind.

(*Mr. Brown.*) We have no such power. I have found the objection sometimes raised that these societies have been got up for the benefit of a few officers, at the expense of the community at large. I do not think that the objection is at all tenable. I speak now of my own experience. I am a great loser by working these building societies. My private practice has suffered. I could not devote my attention to two things at once, and in these societies the fees are cut down to the lowest minimum. The general idea is that a sprat is given to catch a mackerel, but it is no such thing here; they are all sprats. My experience is that I am a considerable loser, and yet I look upon my society as a child of my own, and I would always rather lose my own money than the society's money. I do not think that the objection applies at all. Most of my directors work sedulously, and most of them have been working for 20 years, and they say that they would rather give up anything than give up this work.

4079. Do your borrowing members participate in the bonus?—Yes, I think that our society is almost the only society in the kingdom where it is so. We

*Mr. L. W. Winterbotham.  
Mr. H. F. Brown.*

24 Mar. 1871.



Mr. L. W.  
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24 Mar. 1871.

make a profit in this way—say that we lend 5,000*l.* this month, it may be two months before the securities are effected, then we gain the two months' interest; that is how we make our profit, simply by judicious management.

4080. Do the borrowers participate equally with the investors in the interest?—Yes, but I did not approve of it. I brought it before our society, and I voted that it should be confined to the investors, and I think that it ought to be confined to the investors, because the borrowing members have their property, and the investing members have simply the 5*l.* per cent. compound interest, and I think that they are fairly entitled to any bonus that there may be; that is to say in my society, where borrowers only pay 5*l.* per cent. on their loans. In those societies where they pay 7*l.* per cent. interest or more, it might be different.

4081. I presume that the date of this prospectus, in which the objects of the society are mentioned, is prior to the time when you obtained borrowing powers?—That prospectus has been lately issued; we have had borrowing powers all along, but had never exercised them until the last five or six years.

4082. According to this prospectus the objects of your society do not comprise taking money on deposit?—I think so.

4083. The prospectus states: "The objects of this society are, first, to provide a safe investment for money on approved freehold or leasehold security at five per cent. compound interest, equal to nearly 8*l.* per cent. in 14 years; secondly, to advance money for the purchase of freehold or leasehold property at five per cent. interest, repayable by monthly, quarterly, or half-yearly instalments." The deposits would be under the first head?—Yes, we allow interest there.

4084. (*Sir S. Waterlow to Mr. Winterbotham.*) Is yours a terminating, or a permanent society?—It has always been permanent.

4085. What do you mean by terminating in 14½ years?—That is the period in which each individual share runs out from the time when it is taken; it is realised at the end of 14½ years.

(*Mr. Brown.*) Perhaps you will understand it better in this way. A permanent society is a terminating society to every individual from the date at which he enters.

4086. Then a person may take a share at any time, and he gets the money back at the end of the 14½ years, if it is a periodical share?

(*Mr. Winterbotham.*) Certainly.

4087. You told the Commission that you thought that the power to borrow ought to be limited to the amount subscribed by members, that is, which they actually paid up?—I think that that would about meet the requirements of most societies. I have thought of it with reference to our own, and I am satisfied that it would. If you must practically limit it (and I think you must) that would, I think, meet all that is required.

4088. If any person may take any number of paid-up shares, is not the borrowing power practically unlimited if it is based upon those shares?—Yes, but you must pay five per cent. for them; you must pay that price for all you take in paid-up shares.

4089. If you can take 500*l.* from a man in the form of paid-up shares, and can borrow another 500*l.* upon it, is not the borrowing power practically unlimited?—In one sense it is unlimited; but if the power to borrow depends upon the rate of interest at which you can get the money, it is not so. If you take paid-up shares, and if those paid-up shares are entitled to the same benefits as your periodical monthly shares, you are virtually giving the full five per cent., or whatever your rate is, for that money.

4090. But as the Bill does not deal at all with the question of interest, a power to borrow in that Bill, coupled with the power of taking paid-up shares, would practically be an unlimited power to borrow?—Yes, assuming that you could get the parties to take paid-up shares in that way. I do not at all object to paid-up shares being limited; I think that they might be limited with advantage.

4091. Then if practically you have an unlimited power to borrow, does it not convert building societies into loan and investment societies?—Of course, if you have an unlimited power to borrow, no doubt you may convert them entirely into loan societies.

4092. If you can take any sum you like in paid-up shares, that is practically a power to deal with large sums of money, as the directors or trustees choose to deal with?—No doubt it is; at the same time I think that paid-up shares in themselves should be to a certain extent limited.

4093. Assuming that condition of things, how do you propose to restrict the beneficial user of building societies in the form of exemption from taxation, to the classes for whom that beneficial user was intended by the Legislature?—The exemption from taxation is upon the mortgages. I have not proposed or suggested that the stamp duty should be taken off all mortgages, and therefore it is the borrowing class taking small loans who are the class exempted from taxation.

4094. But it is the borrowing class who, by paying a better rate of interest, remunerate the capitalist to a greater extent than he could obtain remuneration in another form?—No doubt it is, but it is simply taking the stamp duty off small transactions. The borrowers among the working classes do not borrow 1,000*l.* or 1,500*l.* Therefore if you tax the larger borrowers with the stamp duty, and exempt those lower down, you do relieve the classes who borrow for the purpose of acquiring their own small freeholds.

4095. But the large capitalists find the money for these advances, do they not, in consequence of the exemption from taxation, and they get a better rate of interest than they would if they invested in large transactions?—I think not.

4096. Cannot the borrower afford to pay more if the transaction is exempted from taxation, and must not every man pay the market price?—I think that the amount is so imperceptible, that practically it would not give the investor any more, because the society is between him and the borrower. It might give a little additional profit to the society, but the society would not give a fraction more interest. They would not give 4*l.* 2*s.* 6*d.* interest if they could borrow at 4 per cent. I think that it is a direct relief in the cost of the transaction. The borrower would pay the solicitor so much more money, because he would pay the stamp duty, whereas he saves the stamp duty.

4097. And thereby the lender gets a better rate of interest?—I think not. I do not think that the thing is perceptible. Supposing that my fee for the preparation of a certain security be four guineas, if it be liable to a 5*s.* stamp duty, my charge is four guineas, plus 5*s.*,—it cannot make any difference to the investor, the borrower pays it. An amount of stamp duty like that is not sufficiently perceptible to affect the rate of interest at which the society would borrow.

4098. If, under an unlimited borrowing power, large capitalists are enabled to invest their money in these societies, which grant advances on mortgages, with an exemption from taxation under 500*l.*, do you not think that all parties making advances upon mortgages under the same amount ought to be similarly exempt from taxation; and would it not be similarly an encouragement to small borrowers?—Undoubtedly, in the case of all mortgages under a certain amount, if you could exempt them, it would be a great relief to the men who are struggling to get their small properties; but it is found, as a matter of fact, that there are a great many more people who acquire them through these building societies, because in no other way can that class get them. You will not find a working man, except through a society, borrow money on mortgage. You will not find any one who will lend him so near the mark. A building society has only two things to look at, namely, the present value of the security, and the probability of the man keeping up his payments. Such a society can go much nearer in value than a private lender, who has to look at the probable depreciation of the property five or six years hence, because, in the

case of a building society, however much the property depreciates, it cannot depreciate to the extent to which the monthly payments pull down the principal. The practical difficulty in finding a client in the country to lend 200*l.* is very great. A person says: "I can find plenty of sums of 1,000*l.*, or 2,000*l.*, or 3,000*l.*," but if a man says: "I want to borrow 100*l.*, or 150*l.*, without going upon the building society plan," I find a very practical difficulty in getting it, and I often lend it myself, because I cannot find a client who will do it,—he will not be troubled with so small a matter.

4099. Then you think that the man who borrows, undertaking to pay the money back in instalments, ought to be exempted from taxation, while the man who pays the money in a lump sum ought not to be exempted from taxation?—I think that through the one you get at the class which you want to get at, whereas through the other you do not.

4100. (*Mr. Brown.*) For the exemption from duty what does the Legislature get in return? It raises the *status* of hundreds and thousands of the working population—it makes them respectable and responsible members of society. It endears the Government to them, makes them loyal, and supporters of order, and the Government thus gets a great deal more than the benefit it gives. Indeed, the Government are large gainers by the transaction, in this way: A man who buys a house for 300*l.* free from mortgage duty pays to the Government on the conveyance 30*s.* If it were not for these societies, Government would not get that 30*s.*, so that the Government are immense gainers by this exemption. For every 2*s.* 6*d.* which it gives, it gains 10*s.*, and often double and treble that amount, by the sales of the same property.

(*Mr. Winterbotham.*) There is no doubt great force in that observation. In our neighbourhood a vast quantity of cottage property changes hands, which would never change hands at all, and the conveyance duty would never be paid but for these societies. Men who never thought of acquiring their freehold now come and accumulate with us. They begin by paying 1*l.* or 10*s.* a month, and they watch and wait, and they find that the cottage in which they live is for sale. Say, they have accumulated 20*l.* or 30*l.* with us. There are lots of cottages to be bought about us for 80*l.* Most of our loans are under 200*l.* A man will come who has one-fourth of the purchase money, and we lend him three-fourths,—say for 80*l.*, we lend him 60*l.* The Government has the *ad valorem* duty for that conveyance on 80*l.*, which would otherwise have never been seen or heard of; the property would not have changed hands once, where it now changes hands three times.

4101. Then do you think that the extension of the borrowing powers to practically an unlimited amount will not in any way improperly and unfairly prejudice the revenue of the country, and extend the exemption to persons whom the Legislature never intended to benefit?—I do not go for an unlimited borrowing power; and if it be necessary (and there is force in the way in which you have put it before as to paid-up shares) to limit paid-up shares, in order to limit the borrowing powers, then I think it should be done. But I think that the Government would fully meet the point which you have mentioned, by not taking the stamp duty off higher mortgages.

4102. Would you be willing to let it be only upon the shares gradually paid up?—No, no society could work with that. We have 37,000*l.* invested, and we should only have 12,000*l.* if we were dependent upon our investing shares alone. That would make 24,000*l.* if we could only borrow the same amount again. We could only borrow 12,000*l.*, and therefore we could not have 37,000*l.*

4103. But you still might take paid-up shares if you did not borrow upon them?—Yes.

4104. Could you not, therefore, restrict the borrowing power to the amount received by the society in the form of periodical shares?—We might do so, but many societies could not. We have a much larger proportion of investing members than a great many other societies, and while it might not hamper us, it would hamper a good many other societies.

(*Mr. Brown.*) If you limited the borrowing powers to the monthly subscriptions, it would ruin the bulk of the societies. I have found that some societies have been actually borrowing at six per cent. A few months ago a person offered me 1,500*l.*, and he wanted to get five per cent. I said that we did not want it just then, and would only give him  $\frac{1}{2}$  per cent. A few months afterwards he told me, "I have lent that money to a first-class society in London for seven years, and they have given me six per cent. for it."

4105. Do you think that borrowing 1,500*l.* in a lump is a transaction which the statute contemplated, when it set out what building societies were to undertake?—Perhaps not strictly in the letter, but I think so in the spirit, and it is a benefit to the country. That 1,500*l.* might enable six men to purchase their freeholds; it is only extending the principle; it does no possible damage to any one.

4106. Then it is admitting capitalists of large amount to the exemption from fiscal payment, instead of limiting it to the working classes?—I cannot see what exemption from taxation that person got by lending his 1,500*l.* to the London building society.

4107. By lending it to a building society instead of to an ordinary person he got a larger amount of interest, inasmuch as the society is exempted from taxation?—He could lend it to you or to me, and he would not be taxed in either case.

4108. But the taxation would come out of the interest which you would have to pay on the money?—He does not have a mortgage, but only gets a debenture. If he came to you and you gave him a debenture, there would be no taxation. There is no taxation in either case.

4109. The interest which he gets must come out of the money which you earn, and by exemption from taxation you earn better profits than you would otherwise do?—No. I quite agree with Mr. Winterbotham that the 2*s.* 6*d.* exemption is so trifling that it is not worth talking about.

(*Mr. Winterbotham.*) A duty of 2*s.* 6*d.* per cent. is, I think, of no value in the question. The exemption is very immaterial, although I do not want to see it taken off. It is a little boon to the poor man, and the poor man gets every shilling of it.

4110. (*Mr. Bonham-Carter.*) Do you think that if this exemption were withdrawn it would seriously affect the existence of these societies?—I think not. If the boon were taken away to-morrow it would not make much difference, although I should be sorry to see it done, and I think that the men feel it to be a boon. If a man comes into my office and has 60*l.* on mortgage, he pays the same fee as the man who gets it in a building society, plus the stamp. Therefore the man does get the benefit of the exemption; but now that the duty is reduced to 2*s.* 6*d.* per cent. the exemption is of no great value.

4111. As a matter of general policy, is it not desirable that any owner of property, whether 100*l.* or 300*l.*, should recognise his liability to the State for the security which the State affords to his property?—Undoubtedly; but I should say that in at least seven cases out of every twelve a man does pay *ad valorem* duty on his conveyance at the same time, and he is enabled to purchase the property and to pay that *ad valorem* duty by means of the society.

4112. Am I to understand that the conveyance duty which accrues to the Government would be materially reduced if the mortgage were not exempt from stamp duty?—No, I do not say that if the stamp duty on the mortgage were put on, it would so reduce the transactions as to materially affect the *ad valorem* duty received by the Government on conveyances; but what I mean to say is, that it is the fact that these societies very largely increase the transfer of cottage and small properties, and that they have very largely increased the amount of *ad valorem* duty on conveyances received by the Government.

(*Mr. Brown.*) I think that it would create a large amount of dissatisfaction amongst the working classes, if the Government took off the exemption. The Government has a great amount of advantage in return for this simple boon, and if it was taken away it would materially lessen the attachment to the

*Mr. L. W.  
Winterbotham.  
Mr. H. I.  
Brown.*

24 Mar. 1871.



*Mr. L. W. Winterbotham.* Government of the working classes. You and I should not feel it, but they would feel it. They say, "The Government recognises us."

*(Mr. Winterbotham.)* I think it is considered that the Government looks with favour upon the societies, and shews it by making these little exemptions, and I think that is felt as a boon; but pecuniarily I never thought a vast deal of it.

24 Mar. 1871.

4113. Am I to understand that in consequence of the favourable impression which it makes, you think that the principle of exemptions is fairly to be advocated?—I think so, if you can exempt a particular class and confine the exemption to the deserving class, and if it is done with that object.

4114. Within your experience, do you think that benefit building societies generally are confined to that class, which is fairly entitled to say, "We, in consequence of the exercise of some frugality, are entitled to a bonus from the country"?—I should not say that they are confined to that class, certainly not. I think that societies very often do travel out of this line, and make larger advances than were contemplated, but I think that that has been checked as far as any concession is concerned, by limiting the exemption to 500*l.*, and that those other classes are not benefited by the exemption. I, however, think that societies have very often travelled beyond their line of business.

The witness withdrew.

Adjourned to Friday next at half-past 11 o'clock.

Friday, 31st March 1871.

PRESENT:

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

JOHN BONHAM-CARTER, Esq., M.P.

EVAN MATTHEW RICHARDS, Esq., M.P.

WILLIAM POLLARD PATTISON, Esq.

DR. THOMAS EDWARD BOWKETT and MR. W. J. PRANGNELL examined.

*Dr. T. E. Bowkett.*  
*Mr. W. J. Prangnell.*

31 Mar. 1871.

4118. (*Chairman, to Dr. Bowkett.*) I believe that you have had a good deal to do with the formation of building societies of a certain kind?—I have.

4119. Will you describe to the Commission the nature of the societies with which your name is connected?—They are based on a principle of arithmetic which scarcely anyone connected with building societies, or anybody else, seems to comprehend. The principle is this, that by a certain arrangement men uniting together can realize in the first instance the same amount of interest for their own savings that they are accustomed to pay for the use of other people's money, next that they can practically obtain one-fourth more than that rate of interest, and next that that rate of interest is compound interest. The result is, that while ordinary men out of their savings can secure very little indeed throughout their whole lifetime, if they are poor, yet if those small savings accumulate at high rates of compound interest, it is sufficient absolutely to emancipate any of them, or all of them, from poverty.

4120. Will you describe to us the formation and progress of a society by which those results are obtained?—I will describe the original societies, and all others up to this time are precisely the same with regard to the relative proportion between the subscription and the amount awarded or appropriated. One hundred persons putting down 9*s.* 6*d.* a week each will produce 2*l.* 1*s.* 2*d.* each a year. Leaving the 1*s.* 2*d.* out of the question to pay the current expenses (and that amount is nearly sufficient), they have at the end of the year 200*l.*; they draw lots for it, and the one to whom it falls has the 200*l.* lent to him without interest, provided he expends it on freehold property, and repays it at the rate of 10 per cent. per annum continued for 10 years. After that he continues his subscription until, if he is one of the earlier persons he has paid 62*l.*, and if one of the later ones 50*l.* Each member has all his subscriptions back again; we call it subscriptions, but we might call it a loan, the

4115. The 150*l.* limit which is in the Benefit Building Societies' Act, whatever its intention may have been (and there is reason to suppose that it was intended that the transaction with regard to members should not exceed that amount), is practically evaded by the want of limitation of the number of shares taken?—If you think that it was intended that no one person should have a greater stake than 150*l.* in the society, of course it is evaded, because you have nothing to do except to take so many more shares.

4116. If that was the intention it is nullified?—Certainly.

(*Mr. Brown.*) I do not think that the Legislature could have had that intention, because, if so, it would be impossible to work a society.

(*Mr. Winterbotham.*) I could never understand what benefit was intended from either limiting the amount of the shares, or limiting the amount paid per month, unless it was that no individual should have a greater stake, which appears to me to be a great mistake.

4117. At that time the stamps were of a greater amount than they are now?—Yes.

(*Mr. Brown.*) I wish to add that I think it will be a great desideratum to add a clause to the bill of last session, incorporating building societies, and a certificate of incorporation without any expense to be legal evidence thereof.

principle being that the subscriber lends the society a small sum annually for a long time, and the society lends him a large sum for a short time.

4121. In such a society as that of which you have spoken, how long would a man continue his subscriptions?—For from 25 to 30 years, the whole amount of subscription being less than five per cent. interest on the money which he realises, and that subscription is returned to him. In short, each society with 5,000*l.* subscribed purchases 20,000*l.* worth of property, and having purchased the 20,000*l.* worth of property, returns the 5,000*l.* to those who subscribed it, they being in possession of the 20,000*l.* worth of property. The money is turned over four times, the accumulation of compound interest is remarkable, and was never dreamt of, and is not perceived by people now; even those who have written most on it do not seem to have caught hold of that fact at all.

4122. (*Mr. Pattison.*) You say that the members draw lots, and that one member gets the 200*l.*?—Yes.

4123. Does he pay 10 per cent. upon that?—No, he pays 10 per cent. off the principal, and not as interest.

4124. He pays it by 10 instalments?—Yes, the borrower pays. Those who get the early loans we assume get a great deal more profit than those who get the later loans, and those who have the later appropriations or loans subscribe for only 25 years instead of for 31 years, in order to bring a balance of gain between those members who are served at an early time, and those who are served at a later period.

4125. We understand what happens to the man who wins the first lot; he has not a chance again of winning?—No.

4126. Therefore he pays 2*l.* a year for the remaining 31 years. At the end of the second year you have another 200*l.*, and 20*l.* besides; you have therefore 220*l.*?—Yes, the income of the first year is 200*l.*, of the second year it is 200*l.* plus 20*l.* rent, making

Dr. T. E.  
Bouchett.  
Mr. W. J.  
Prangnell.

31 Mar. 1871.

220*l.*; of the third year it is 240*l.*; of the fourth year it is 260*l.* or 280*l.*, because more annuitants come in the next year for an accumulation. The rent after the first year is 20*l.*, 40*l.*, 60*l.*, 80*l.*, and 100*l.*, and it goes on increasing in that way every year; so that for the 25th year the income is 1,000*l.*, and only 200*l.* of it is from subscriptions, and the other 800*l.* consists of annual repayments springing from the money lent without interest. Twenty-five years' subscriptions are 5,000*l.*, one-tenth of 5,000*l.* would only bring 500*l.* a year income from subscriptions; but because it is compound interest, the rent from repayment is 800*l.* a year instead of 500*l.* a year. You will perceive that there is an intricacy in it which we do not wonder at the world in general not understanding. The same principle caused the success at Rochdale when applied co-operatively; and Mr. Holyoake, who wrote a most interesting pamphlet on the subject, and all the writers upon it, do not perceive the great principle which lies at the bottom of it, namely, the accumulation at compound interest of money lent without interest. I used to be exasperated because people would not understand it. I thought that they did not want to understand it, but I see now that it springs from the natural intricacy of the thing.

4127. At the end of 25 years how many people will be borrowers?—Accumulating as I have described, the borrowers will be 100 in 25 or 27 years. (See *Return annexed*, No. 1.)

No. 1.

TABLE I., ILLUSTRATING THE WORKING OF THE  
POPULAR BOWKETT SOCIETY.

Showing the duration of a society of 100 members, if the purchases were made annually. The actual duration of the society will be from 25 to 27 years; owing chiefly to a purchase being made every time the money in the society amounts to 200*l.* instead of only once a year.

Rents expired.	Years.	Annual Income.	—	Houses purchased.	Yearly Surplus.
		£	£    £		£
	1	200	—	1	—
	2	220	—	2	20
	3	240	+ 20 = 260	3	60
	4	260	+ 60 = 320	4	120
	5	280	+ 120 = 400	6	—
	6	320	—	7	120
	7	340	+ 120 = 460	9	60
	8	380	+ 60 = 440	11	40
	9	420	+ 40 = 460	13	60
	10	460	+ 60 = 520	15	120
1	11	500	+ 120 = 620	18	20
2	12	540	+ 20 = 560	20	160
3	13	560	+ 160 = 720	23	120
4	14	600	+ 120 = 720	26	120
5	15	640	+ 120 = 760	29	160
6	16	660	+ 160 = 820	33	20
7	17	720	+ 20 = 740	36	140
11	18	740	+ 140 = 880	40	80
13	19	780	+ 80 = 860	44	60
15	20	820	+ 60 = 880	48	80
18	21	860	+ 80 = 940	52	140
20	22	880	+ 140 = 1,020	57	20
23	23	940	+ 20 = 960	61	160
26	24	960	+ 160 = 1,120	66	120
29	25	1,000	+ 120 = 1,120	71	120
33	26	1,040	+ 120 = 1,160	76	160
36	27	1,060	+ 160 = 1,220	82	20
40	28	1,120	+ 20 = 1,140	87	140
44	29	1,140	+ 140 = 1,280	93	80
48	30	1,180	+ 80 = 1,260	99	60
52	31	1,220	+ 60 = 1,280	100	1,080
57	32	—	—	—	960
61	33	—	—	—	860
66	34	—	—	—	780
71	35	—	—	—	680
76	36	—	—	—	580
82	37	—	—	—	480
87	38	—	—	—	360
93	39	—	—	—	260
99	40	—	—	—	140
100	41	—	—	—	20
To be returned to Subscribers					£6,200

4128. At the end of 7 years only 10 men have received any benefit?—In 11 years 20 men have received benefit.

4129. You get from the repayments, at the end of five years, a sufficient amount to lend out again?—Yes, from repayments only, 200*l.*

4130. You do not lend less than 200*l.*?—No.

4131. In five years you get two men who have borrowed?—Yes, two in the fifth year, instead of only one.

4132. In six years you still have two men who have borrowed?—Yes; the amount goes on in that year increasing, first 20*l.* a year, and then 40*l.* a year, and then 60*l.* a year.

4133. In the ninth year you will have three men who have borrowed?—In the eleventh year there have been 20 times 200*l.* appropriated, one half from repayments and the other half from subscriptions. In 11 years there would be 20 men who have borrowed, and in 13 years there would be 25 men who have borrowed.

4134. In what time would all the men have received benefit?—Between 25 and 27 years; it will vary a little from uncertain contingencies. In from 25 to 27 years the whole 100 persons get a loan; the precise time is 27 years, but it is shortened by the falling off of members.

4135. (*Chairman.*) Do you allow withdrawals?—Yes, we allow 76 out of 100 to withdraw; that will bring us to another point which I will illustrate.

4136. (*Mr. Pattison.*) Have you estimated at all what the one man has lost who has been so unfortunate as not to be a winner upon the drawings in the whole 27 years, that is to say the last man?—Nobody loses anything.

4137. He has been paying money for 27 years, and he has nothing?—But at the end of 27 years he receives instead of 200*l.* 250*l.*, or 260*l.*; he receives 27 years' subscriptions; he is reimbursed all that he has paid, and has 200*l.* in addition lent him without interest; instead of having to pay 200*l.* he has to receive 200*l.*, and the amount of his subscriptions; he receives his subscriptions to help him to pay his rent or his 200*l.*, the rule being that the man who has his money first is the last to have his subscriptions returned, and the man who has his appropriation last is the first to have his subscriptions returned. It is necessary to bear in mind that we have a provision that each member can, if necessary, have 20 years instead of 10 years to pay back his 200*l.*; that would bring us into a little intricacy; we will come to that presently, but the complication is this.—we estimate that a person who has the first appropriation realises  $7\frac{1}{2}$  per cent. out of his property, and that in the course of 10 years he gets 15*l.* a year out of his 200*l.* house, either by letting it, or better still he saves it by dwelling in it. His rent would be 15*l.* a year, and that 150*l.* will not pay his 200*l.* in 10 years, therefore we require him, also on other important accounts, to pay 5*l.* a year more as repayment than he gets out of the house, holding it to be an incorrect principle that a person is to pay only his bare rent. The early members have to pay 5*l.* a year more than they get out of the house; the last man has not to do so, he has his subscriptions to help him. All the members pay the sum of 20*l.* a year in theory, but in actual practice they do not do so, because the subscriptions for those who have not received appropriations, and for those who have received the later appropriations, cease as soon as the last man has had his appropriation.

4138. Will you dismiss from your mind, for the present, the way in which members secede? Assume that the whole 100 members remain members of the society, and that none of them die, and that they all carry out the thing as if it was a theoretical question?—Then every person subscribes exactly the same amount from the beginning to the end of the society.

4139. They all pay 2*l.* a year for the 31 years?—Yes; the repayments are also alike for every member when he has his 200*l.*, from the beginning to the end, each man's repayment ceasing when he has paid 20*l.*



Dr. T. E.  
Bowkett,  
Mr. W. J.  
Prangnell.

31 Mar. 1871.

a year for 10 years. Every member subscribes a like amount, and every member simply pays back what he has received, without interest.

4140. What is the position of the society at the end of the 31 years; how much a year are you in receipt of then?—6,200*l.* would be the whole amount of subscriptions in 31 years from 100 members.

4141. That is the income of the society at the end of 31 years?—Yes.

4142. What then becomes of the society?—It is then assumed to cease altogether; its operation is one complete in itself.

4143. That only deals with a particular term of years?—Yes.

4144. What do you then do with the money?—Speaking roughly, the income would be 1,000*l.* coming in without subscriptions, but merely by the repayment of loans, and then we return it back to those who have subscribed it, observing the rule that the last who had a loan is to be the first to have the money back, and the contrary. As fast as the money comes back it is given back to those who subscribed it, they being already in possession of their property.

4145. That is after the 31st year?—I put it at that, because that is the annual calculation, but practically it is from 25 to 27 years instead of 31 years; there are certain things which you cannot make plain unless you assume that it is annual.

4146. I suppose that the number of years is fixed by the period at which the annual instalments amount to a sum sufficient to secure the repayment of his money to every man?—As soon as the income is sufficient you then give to each man his subscriptions, varying from 50*l.* to 62*l.*

4147. The year of termination of the income of the society is fixed by the amount of instalments which will secure the repayment to each member of the amount which he has subscribed?—Precisely so.

4148. (*Mr. Bonham-Carter.*) You have spoken of the member as occupying a house?—Yes.

4149. And upon that you calculate certain benefits which he derives?—Yes.

4150. Am I to understand that calculation to mean this, that the moment the first man receives his loan of 200*l.* you assume that he invests it either in a house which he lets, or in a house which he occupies?—Precisely. We know that he does so. We do not allow him to do anything else.

4151. And as far as he is concerned, the interest of his 200*l.* begins to accrue from the day that you lend it?—Exactly so. We always take the precaution to let a person know, six months before he can have his money, when he will have it, and that time is occupied in securing a house, and directly he receives the loan he receives the rents.

4152. A house would hardly be worth exactly 200*l.* What steps do you take with regard to the value of the house?—We always advance the full known value, and there are plenty of persons in the society to judge of the value of a house, because members are house-builders themselves, and bricklayers, and carpenters, and you cannot deceive them in that respect if you desired to do so.

4153. You advance the full known value?—The full value.

4154. Then does a man receiving 200*l.* advance lay out 200*l.* upon a house?—He always lays out that sum, or more; if he does not lay it all out he does not have it until he has laid out the surplus, so as to make the sum 200*l.*

4155. (*Mr. Pattison.*) The house is mortgaged to the society?—Yes.

4156. (*Mr. Bonham-Carter.*) With regard to the profit to the man, I think that you said that he derives a certain profit, that is to say, you assume that a man occupying a house for which he has paid 200*l.* invests his money at a certain rate?—Yes.

4157. What rate do you consider that to be?—7½ per cent. accruing to himself.

4158. (*Mr. Pattison.*) That is a mere assumption?—Yes; it is the average; it is the fact in our neighbourhood.

4159. (*Chairman.*) Is it the case that in all these societies the money is not lent except upon a house built or immediately to be built?—It is sometimes lent on one possessed. If a man has a house to give as security we do not want him to buy another; that is not often the case.

4160. Let me read this to you from a sort of prospectus of the 10th Poplar Bowkett Society. "Every time the money in hand amounts to 250*l.* the members draw lots for it, and he to whose lot it falls chooses 250*l.* worth of freehold property of such kind as suits his convenience, garden ground, building ground, an old or a new house." If the member obtaining the advance was to buy garden ground, or building ground, it would be some time before the rent of his house accrued in the way of which you have spoken?—In every instance where that sort of thing has been done the profit has been enormously greater than it would be if he had built a house, that is to say, if it is done under supervision. The very first appropriation was laid out in eight plots of land, and it has worked out to give a widow a freehold house of 250*l.* value, and an orphan son a house of 250*l.* value, and there were six plots of ground besides; they cost 23*l.* a plot, and they have been sold for not less than 60*l.* or 70*l.* a plot. Some are still retained. One has recently been sold for, I think, 120*l.*

4161. That was a fortunate speculation?—No, it is a matter of principle that to get the full advantage you must form yourselves into a class, or a kind of land society; to hold the thing in common for each other's mutual benefit, and through evil report and good report to cling to each other, and act according to the principle that when these eight plots of ground have upon them eight houses in succession each one has his own, and in the end it may result that the property has not cost any of them anything beyond the original subscriptions, which of course have been repaid.

4162. But might not these circumstances have been very different if the property bought had been reduced in value?—Yes, it is always speculative to buy land, and we do not recommend it; but in every instance where it has happened to be done it has been very advantageous. In the case of the next appropriation which was made, a piece of land was bought for 50*l.*, and a house was built upon it for 150*l.*, and that house is now worth 750*l.*, because the value of the land has increased.

4163. (*Mr. Bonham-Carter.*) With regard to the operation of the society, the next point is as to withdrawals. Will you state the effect of withdrawals?—If 100 members start about doing this thing, and 76 out of the 100 in the course of the 25 years withdraw, the result will be that the 24 who remain will get all that they anticipated in the 25 years, instead of having to go on for 31 years. Now I think that I can make that plain. At the end of the second year we have 20*l.* coming in for rents. Five members want to withdraw, and they have in two years subscribed 4*l.* apiece; four fives are twenty. The rent of the second year being paid away to those who want to withdraw, it is sufficient to pay four times 5*l.*, that is to say 20*l.* In the third year there is only 200*l.* annual income, instead of 260*l.*, which there would be if this money had not been paid away. In the third year again five members want to withdraw; they have each subscribed 2*l.* a year; five times 6*l.* are 30*l.* That swallows up the whole rent of that year. Again in the fourth year five members want to withdraw; five times 8*l.* are 40*l.*, and thus you pay away all the rents every year, instead of allowing them to produce this accumulation; but the result notwithstanding that is, that of the 24 men each gets his house in 24 years, instead of some of them having to wait 31 years, keeping to the annual calculation, which is the thing to be desired above all things. If the question is what will you do after three-fourths of your friends have forsaken you, the reply is, that it is the best

thing that could happen to you. (*See Return annexed, No. 2.*)

No. 2.

TABLE XIX.

Showing the working of a society, consisting originally of 100 members holding one share each, becoming reduced to 24.

Years.	Shares.	Annual Subscription.	Repayments.	Total Annual Income.	Houses purchased.	Repayments expired.	Shares withdrawn.	Amount of Shares withdrawn.	Annual Surplus.
1	100	200	—	—	1	—	—	—	—
2	100	200	+ 20	=220	2	—	5	20	—
3	95	190	+ 40	=230	3	—	5	20	—
4	90	180	+ 60	=240	4	—	5	40	—
5	85	170	+ 80	=250	5	—	5	50	—
6	80	160	+ 100	=260	6	—	5	60	—
7	75	150	+ 120	=270	7	—	5	70	—
8	70	140	+ 140	=280	8	—	5	80	—
9	65	130	+ 160	=290	9	—	5	90	—
10	60	120	+ 180	=300	10	—	5	100	—
11	55	110	+ 200	=310	11	1 = 10	5	110	—
12	50	100	+ 200	=300	12	2 = 10	4	96	4
13	46	92	+ 200	=292	13	3 = 10	3	78	+ 14
14	43	86	+ 200	=286	14	4 = 10	3	84	+ 2
15	40	80	+ 200	=280	15	5 = 10	3	90	+ 10
16	37	74	+ 200	=274	16	6 = 10	2	64	+ 10
17	35	70	+ 200	=270	17	7 = 10	2	68	+ 2
18	33	66	+ 200	=266	18	8 = 10	2	72	+ 16
19	31	62	+ 200	=262	19	9 = 10	2	76	+ 2
20	29	58	+ 200	=258	20	10 = 10	1	40	+ 18
21	28	56	+ 200	=256	21	11 = 10	1	42	+ 34
22	27	54	+ 200	=254	22	12 = 10	2	88	—
23	25	50	+ 200	=250	23	13 = 10	1	46	+ 4
24	24	48	+ 200	=248	24	14 = 10	—	—	+ 52
25	—	—	200	—	—	15	10	—	200
26	—	—	180	—	—	16	9	—	180
27	—	—	160	—	—	17	8	—	160
28	—	—	140	—	—	18	7	—	140
29	—	—	120	—	—	19	6	—	120
30	—	—	100	—	—	20	5	—	100
31	—	—	80	—	—	21	4	—	80
32	—	—	60	—	—	22	3	—	60
33	—	—	40	—	—	23	2	—	40
34	—	—	20	—	—	24	1	—	20
Subscriptions to be returned									- £ 1,152

4164. If you pay away all your rents, or profits, as you call them, to withdrawing members, what have you to advance to those who require an advance?—I have sent up to the Commission a calculation showing that. It is one of those mysteries which I spoke of, but it is so. We will say that all the rents for the first ten years are paid away in this manner; the whole of those rents altogether would be sufficient to buy 10 houses. You have bought a house every year for 10 years, and there are the ten houses, and at the end of the tenth year nine of them are still bringing in rents.

4165. (*Chairman.*) Supposing that your members withdraw, your subscriptions decrease?—Yes.

4166. Then you have not the same sum to advance as you had at first, and therefore you cannot make so many advances?—But you have fewer members to claim. Say that 24 years have elapsed, the last member has subscribed 48*l.*; there is 200*l.* left for him. You have rents coming in still sufficient to pay out all the members as they come in. The accumulation which would spring from the whole rents is checked, but in proportion as that is checked the number of members who are taken away is in a greater proportion. If you refer to the tables which I have sent up you will see exactly how it is. The 19th table shows the effect on a society of 76 out of 100 withdrawing in the course of the working of the society.

4167. (*Mr. Pattison.*) Do I correctly understand you that whenever a member withdraws he has back exactly the sum which he has paid in over the eight or nine years, without interest?—Yes.

4168. It is clearly for the benefit of the surviving members that a great many men should withdraw?—Precisely so; it has given an impulse to the society.

4169. (*Mr. Richards.*) The withdrawing member receives no interest at all?—None at all, unless he sells his share to another member who buys it.

4170. But *quid* the society he gets no interest?—None at all.

4171. (*Mr. Pattison.*) Are not the men who are not fortunate drawers very heavy losers by this system?—It may be so; but if you go round to all of them, although they all know that they have subscribed so much, yet a gentleman in the room would give five per cent. interest for their chance, but none of them will accept it.

4172. After several years?—Yes.

4173. (*Chairman.*) In your societies is the advance always made by ballot, or is it made by sale?—It is by ballot, but it comes often by right. If a person takes 10 shares he claims as a matter of right at the end of seven years 200*l.*, having in that time subscribed 140*l.* At the same time that he has this 200*l.* he has his 140*l.* back again, giving him at the end of seven years 340*l.*, resulting from his having saved 140*l.*, and for which 340*l.* he simply has to pay back 200*l.*, and has 10 years in which to pay it; the fact being that this system is complete in itself with 10 men (at 20*l.*) if they choose so to do, and 10 men by themselves doing this thing would each of them have 200*l.* by the time that each had subscribed 140*l.*, and of the lot only one would have to wait seven years for it; the first man would have it at the end of the first year, and the whole 10 would have it at the end of seven years, showing that the best thing for the poorer man is the best for the richer man, if they would only do it faithfully. Then again, by the same principle, having taken seven years to accomplish this work, if they choose to go on for another term it will only take them four years to have it over again.

4174. (*Mr. Pattison.*) There are 10 men, each of whom has 10 shares?—Yes.

4175. And at the end of the first year you pay 200*l.* to one of them?—Yes, he having subscribed 20*l.* in the year.

4176. But the repayments come in over 10 years and not over seven?—Yes; in consequence of the compound accumulation the whole 10 get the money in seven years instead of being 10 years about it, which would be the case if it was a simple accumulation according to simple interest.

4177. (*Chairman.*) What is the security upon which these loans are made?—In our society they are almost always made on freehold property, excepting that in the case of a shareholder having 10 shares we take into account the amount which he has subscribed, and if he has subscribed 150*l.* we do not want him to give security for 200*l.*; if he has a freehold of 50*l.* we take it as security, and we should not return it to him until he had made up his payments.

4178. You make an advance to the full value of the property?—Yes, we can do that in consequence of the money being advanced without interest. If we lent it with interest we should perhaps only lead to the amount of half or two-thirds of the value.

4179. You take no collateral security?—No.

4180. How do you secure the repayments?—We never have found them fail; it is to the members' interest that they should make them.

4181. Have you no system of fines?—We have no fines at all. We have what we call "increased subscriptions," a sort of substitute for fines. Supposing that a member does not pay when he ought to pay, the society sustains some loss, and then he has to pay an increased subscription, with this peculiarity, that that increased subscription, like his original subscription, is returned to him when the time comes for him to receive his subscriptions back; when he goes out of the society, he has had his appropriation. In those cases the increased subscription takes the place of fines. Any member in arrear at any time may pay as much in advance as he is in arrear, and then there is no extra payment at all, and that keeps the accounts simple.

4182. What is the amount of the increased subscrip-

Dr. T. E.  
Borrett.  
Mr. W. J.  
Prangnell.

31 Mar. 1871.



*Dr. T. E.  
Bochetti.  
Mr. W. J.  
Frangnell.*

31 Mar. 1871.

tion?—At the rate of 10 per cent. per annum upon whatever is owing.

4183. Supposing that a man makes entire default in his payments, and does not pay the increased subscriptions, what is the process?—We have only had one case of that sort, and we compromised it by letting him off, he paying a sum much less than the 10 per cent. accumulation would be. That was the case of a man who grew very old; at first he had 200*l.*, and then when he got into difficulties we let him have 50*l.* more. The house was well worth 250*l.*, and last of all we had to collect the rents; it did not yield much; it would have yielded plenty if he himself had collected them, and if we had not had to pay the collector; but the man paid altogether a sum which made it about equal to 150*l.* to have his 250*l.* house; it was a leasehold house and it was well worth 250*l.* He paid 150*l.*, the rent collected amounting to about 100*l.*, and we gave him up his deeds. That is the only case which we have had requiring anything of the sort; that case was at Poplar. There is one other case of default which will illustrate the matter. A member owed 50*l.* and could not pay it; he was in a consumption and had to go into the country. We called a meeting with his consent, in order that he might make over his house to somebody else, and they paid him 50*l.*, which included all the rent and subscriptions which he had paid up to that time, and he went into the country, to his great satisfaction, and partially recovered. He thought that he had got well, but unhappily in 12 months afterwards he died. The great principle in our society is, that if a man gets into difficulties we say, "Let us all see if we cannot help him out of them." In the case which I have just mentioned, we got a subscription of 1*l.* a week from each person, till we got 100*l.* 50*l.* was paid to the man to pay him out of the concern. 50*l.* was used to ease off the repayments to 20*l.* a year instead of 25*l.* a year, which it would have been if he had had to pay the full repayment.

4184. (*Mr. Richards.*) But that is beyond the scope of the rules of your society?—Yes, except that the introduction to the rules implies matters of that sort. Among the principles enumerated, one is that the poorest member is to have the greatest advantage.

4185. (*Chairman.*) Has any dissatisfaction been caused among members of your societies who have not been fortunate enough to obtain the early advances?—Yes, that is an incessant source of dissatisfaction, and so it would be if they paid any small sum; if it was a farthing a week, and you did not give them 1,000*l.*, but promised 100*l.*, they would be dissatisfied.

4186. Have there been any instances where societies have been broken up on that account?—I have heard of them, but I do not know of them absolutely of my own knowledge.

4187. Are your societies certified?—Yes.

4188. You are, I suppose, acquainted with the other classes of building societies, namely, the investing societies?—I am.

4189. I suppose that you are of opinion that the societies on the principle which you have described are of a better nature than the investing societies?—Exactly so, and not only so, but this system may be used as a measure to ascertain the quality of any other society.

4190. What in your opinion are the principal objections to the investing societies?—The objection even to my own societies is this, that they all aim at doing their work in too short a time, and that a society which is limited to a duration of 15 years, and which deals equitably with all its members, is practically of no use to anyone; it does no more for the member than each member could do for himself without the society, taking the average condition of them. I look upon all such building societies as useless, if not pernicious, that is to say, except for speculators, namely, the secretary and the lawyer who get up the society, and the directors who get their fees; it is advantageous to them, but to the members in general, except in exceptional cases, I look upon it as a delusion.

4191. That opinion, I presume, has reference to the investing societies only?—It includes my own societies, if they are anxious to increase the subscription to the shareholders; it is a very natural desire.

4192. In fact, you think that the great benefit of them is that the subscriptions should be spread over a long time, and that thus a thing could be made possible which otherwise could not?—Precisely, and for reasons which they do not perceive. To reduce this society from 25 years to 12½ years requires a subscription of 8*l.* a year instead of 2*l.* A man can save 2*l.* a year and can pay it, but 8*l.* a year he cannot.

4193. Taking those investing societies which extend over long periods, what is your opinion as to them?—I think that there is very little indeed to be said in their favour, as all money lent at interest I look upon as practically useless. The interest is generally a good deal more than the rent on the house of the borrower would be. It would be better for him to save his money and put it at ordinary interest, and he would get his house sooner without the society than with it.

4194. That again depends upon the rate of interest charged?—Unhappily the rate of interest, so far as I know, is, as a rule, from 10 to 20 per cent; it does not seem so, but it is really so. That is illustrated by one of the papers before you. A person who ought well to understand the nature of borrowing money, borrowed 500*l.*, and for that 500*l.* in the course of 12 years he paid 1,002*l.*, or somewhere thereabouts, being 500*l.* more than he had borrowed.

4195. Can you mention any instances of societies with which you are acquainted, where the rate of interest is as high as you have stated?—I should be very glad to be able to mention any where it is not, but I do not know any where it is not. The way in which it is managed is this:—They say, "You shall pay five per cent. interest for your money." There is one society in my own neighbourhood to which my attention has been often drawn, called the "Richard Green Society," which advertises to lend money at five per cent. interest, and to give any investor five per cent. interest, together with a bonus, and so on. The people who borrow money fancy that they get it at five per cent.; they really get it at 17 per cent, and I believe that none are less than 15 or 20 per cent. In a pamphlet which I published I made the following statement:—"Although with limited success, I have always cautioned men against the delusion that a house may be expected to yield sufficient to pay principal and interest in 10 or 12 years." In handbills which I distributed, in the year 1844, I said, "When you are about to borrow money of a building society, say, Never mind what name you give to the various sums I have to pay, let me have them all in a lump. Tell me, if I borrow 200*l.* of your society, have I to pay 400*l.* for the 200*l.*? and how many years will my payments continue?" The building societies that lend money at interest have to conceal the fact that the borrowers pay from 15 to 20 per cent. per annum interest, or their borrowers would be but few. The following is a verbatim copy of an account given to me in writing by one who has resided within a few yards of my dwelling for 25 years, and into whose hands I put that 24 years ago. He is a builder and rent collector, a man who prides himself on his skill in arithmetic. This is his account:—"One of the most respectable societies in London. I entered this society in January 1846, for the purpose of borrowing, as I thought, 500*l.*, but received only 463*l.*, the difference, 37*l.*, being stopped for law expenses, mortgage deed, and I really do not know what. It terminated at the close of the year 1857, so that it lasted nearly 12 years, at which time I had paid in subscriptions and fines the sum of 1,002*l.* 8*s.* 3*d.* I consider that I have paid something like 266*l.* 2*s.* 3*d.* more than I should have paid if I had mortgaged the property in the usual way at five per cent., and had redeemed it at the time the society closed. I paid the society in a little less than 12 years 539*l.* 8*s.* 3*d.* for the use of 463*l.*" This is a note of my own:—"As the 463*l.* above mentioned was repaid

"in the course of 12 years, it was equal to the whole sum lent for half the time; the interest paid was 20 per cent. per annum, nearly." He himself estimated it at twice as much as five per cent., whereas it was nearly four times as much.

4196. I suppose that those sums are calculated simply upon the payments which the man in question made to the society. There is nothing deducted from them for the interest of the money of the society which he had for that time?—The society charge five per cent. for the whole period; but as the sum is not borrowed for the whole period, it is equivalent to being borrowed for half the period if it is repaid by annual instalments, and the interest properly estimated should be five years' interest and not 10. That is where they steal one march upon you. Then there is a principle among money lenders (and I do not think that it differs in building societies), that the go-between between the money lender and the money borrower is to get as much out of the transaction as the money lender himself gets.

4197. Whom do you mean by the go-between?—Whether it is a lawyer, or a building society board, or any other person, I call him the go-between; and there are money-scriveners who do it largely.

4198. In what way do those people get this money?

—I will give you an instance: 500*l.* has to be borrowed; a person makes out a mortgage deed, and then comes a release for the mortgage; that will come to about 50*l.*, and before it has gone on for three or four years the mortgage has to be shifted, and then there is 50*l.* more; so that while the money lender lends the money in such a way that he is to receive 25*l.* a year interest for his money, the intermediate agent between the money lender and the money borrower manages to get 25*l.* a year for himself all the time, in one shape or another; and that I believe is the principle upon which they act.

4199. That is a case in which a lawyer is an intermediate agent?—Yes; and nine-tenths of these societies, even those which are called by my name, are set on foot by lawyers.

4200. Are there any expenses as to mortgage deeds in your societies?—No; at least that was so originally, and a form was, and still is, printed with the rules; now there are scarcely any of these societies who take my name who do not charge 4*l.* for what should be done for nothing, or for 5*s.*

4201. These are not the societies which you originally founded?—No.

4202. Can you give us an instance where the intermediate agent who profits is the board of directors of the building society?—I sent up to the Commission a book containing that. These are the rules of "The Second Improved Bowkett Benefit Building Society," whose office was at Collet-house Academy (corner of Dean Street), Commercial Road, from half a mile to a mile from my house, which was afterwards removed to Amicable Hall, No. 304, Hackney Road. One of our rules is, that we are to have no offices of emolument, that is to say, that the secretary is paid, but it is not made an office of emolument; he is not unfairly paid.

4203. How much is he paid?—4*l.* a year for every 100 members.

4204. How many members are there?—We have had eight or nine societies, but never all of them going on fully at the same time; perhaps the secretary's salary has never exceeded 15*l.* a year. I have here the financial statement of the Western Equitable Benefit Building Society from 1845 to 1869, which was sent to me recently, and there are the whole expenses from beginning to end, and they are according to my original tariff. Here you have secretary's salary at 6*l.* 10*s.* per annum, 157*l.* 12*s.* 6*d.* for the 24 years, and that has been found amply sufficient in hundreds of societies before the "Stars" came upon the horizon, and they spoil it all. When they fall again I think that it will come to rights. In the society to which I just now referred there are "treasurer's duties and remuneration," "directors' duties and remuneration," "solicitor's duties and

charges," "trustees' duties and remuneration," and so on. I find "secretary's duties and pay" at page 13, "the secretary shall attend every Thursday evening," and so on; "the secretary shall inspect the banker's book," and so forth. "At the end of each financial year he shall" do so and so; "his salary, which shall be fixed at each annual meeting, shall not be less than 25*l.* per year." Now these rules were enrolled within the last three years by Mr. Tidd Pratt, and the title of the society professes to be the "Second Improved Bowkett Benefit Building Society," the rules of my societies expressly saying that there are to be no offices of emolument, and the secretary's emolument being 4*l.* instead of 25*l.*, and varying according to the number of members.

4205. Are there any other items of expenditure in that society to which you would object?—Yes; there are then the "treasurer's duties and remuneration." He shall receive an annual fee of 2*l.* 2*s.* for his services. The duties and remuneration mentioned in Rule 9 are additional to those specified in this Rule. Then there are the "directors' duties and remuneration." A fee of 2*s.* shall be paid to each of the directors for such attendance, and in default thereof he shall be fined 2*s.* for every such non-attendance unless he finds a substitute," and so on. There are then the "solicitors' duties and charges"—That Messrs. Patersons and Sons, of No. 7, Bouverie Street, Fleet Street, shall be the solicitors of this society. "Mortgage to the society; for the investigation of title to property (including perusal of conditions of sale and advising thereon, prior to purchase), 1*l.* 1*s.* For the preparation and completion of the purchase deed (except stamps and parchment), purchase money not exceeding 300*l.*, 2*l.* 2*s.* Purchase money exceeding 300*l.* and not exceeding 500*l.*, 3*l.* 3*s.* For the preparation and completion of the mortgage to the society, advances not exceeding 300*l.*, 3*l.* 3*s.* Advances not exceeding 400*l.*, 4*l.* 4*s.* Advances not exceeding 500*l.*, 5*l.* 5*s.* Transfer from one member to another of property mortgaged to society; for preparation and completion of transfer, where consideration money (including amount due on mortgage) is under 400*l.*, 3*l.* 3*s.*, and so on. In fact there is no end of the charges, and it is for that really that the society is got up.

4206. What are the total charges of that sort in connexion with that society?—They seem to vary. It says, "For preparation and completion of transfer, where consideration money (including amount due on mortgage) is under 400*l.*, 3*l.* 3*s.*; exceeding 400*l.*, 4*l.* 4*s.*" The mortgage deeds have always been printed in accordance with the Act of Parliament, and always appended to the rules of my societies.

4207. What is the total expenditure of that society in that way to which you object as being extravagant, taking lawyers, directors, treasurer, secretary, and everything?—I have not reckoned it; it does not seem to be regulated by the number of members; and the 25*l.* a year to the secretary, which might not be a large sum if there were a large number of members, would be an enormous sum if there were only a small number.

4208. That society which you have quoted you consider to be an instance where the intermediate party gets the benefit rather than the members?—Exactly so.

4209. Can you state any cases of the investing societies, properly so called, with which you are acquainted, where the same sort of facts exist?—No. I have no personal knowledge of them. I only know that many of our members have been induced, from impatience to get money, to go to other societies, and they have asked me to look over their accounts, and I have always received from them the information which I have given you, namely, that the interest which they have really paid has been from 10 to 20 per cent., and seldom less than 15 per cent. per annum.

4210. Your great objection to the investing societies is the high rate of interest?—I object to them for

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31 Mar. 1871.



Dr. T. E.  
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Prangnell.

31 Mar. 1871

working men as being really useless, because I take it that investing societies have to give interest, and the moment you do that you must take the place of the landlord with greater severity than that exercised by the landlord himself.

4211. Is there any other point which occurs to you?—I have mentioned that 10 men by themselves would be a complete society on my system. So also would 33 men be a complete society, being one-third part of 100. But when 33 men by themselves form a society, each of whom is to have 200*l.* in 15 years or 16 years, the result is that no member gets a house unless he is rich enough to pay double rent for 10 or 15 years, and that excludes all people whom I am anxious to serve.

4212. You mean that it excludes the poorest?—Yes, it excludes those who are most in need. There is another circumstance which I have not mentioned, namely, the mode in which we enable persons to extend their repayments over 20 years, if need be, instead of completing them in 10 years. It hinges on this fact, that every sum paid off money lent without interest diminishes the debt, so that a man having purchased a 200*l.* house, and having paid off 20*l.* the first year, only owes 180*l.*, and if we are satisfied that there is sufficient reason for it, and if he is willing or eager to do it, he can then have 10*l.* of that 20*l.* lent him again, the security for it being ample; and the repayment for that 10*l.* on the same principle is 1*l.* a year for 10 years. The result is, that a man who in the course of paying for 10 years finds a difficulty in doing so can always borrow from the society, by a certain arrangement, a sum sufficient to cover his deficiency, and never actually pay more than the property can be fairly estimated to yield. So that my societies do in truth enable men to buy their houses with their own rent; not that it is advisable always for them to confine themselves to that rate of repayment. On the contrary, it is a loss to them, but no loss to the society. (See *Return annexed*, No. 3.)

No. 3.

TABLE XXV.

Appropriations 400*l.*, 200*l.* at first, and the remainder afterwards. Repayments reduced to 5 per cent., the accumulation in the society being 10 per cent. per annum.

Years.	Total Payments.	Loan.	Repayment of Loan.	Repayment of various Loans.	Total Repay- ments of Loan.	Expired Repayments.	Repayments going on.
£ s.	£ s.	£ s.	£ s.	£ s.	£ s.	£ s.	£ s.
1	20 0	10 0	1 0	—	—	—	—
2	21 0	11 0	1 2 +	1 0	2 2	—	—
3	22 2	12 2	1 4 +	2 2	3 6	—	—
4	23 6	13 6	1 6 +	3 6	4 12	—	—
5	24 12	14 12	1 9 +	4 12	6 1	—	—
6	26 1	16 1	1 12 +	6 1	7 13	—	—
7	27 13	17 13	1 15 +	7 13	9 8	—	—
8	29 8	19 8	1 18 +	9 8	11 6	—	—
9	31 6	21 6	2 2 +	11 6	13 8	—	—
10	33 8	23 8	2 6 +	13 8	15 14	—	—
11	15 14	5 14	0 11	15 14	16 5	1 0	15 5
12	15 5	5 5	0 10	15 5	15 15	1 2	14 13
13	14 13	4 13	0 9	14 13	15 2	1 4	13 15
14	13 18	3 18	0 7	13 18	14 5	1 6	12 19
15	12 19	2 19	0 5	12 19	13 4	1 9	11 15
16	11 15	1 15	0 3	11 15	11 18	1 12	10 6
17	10 6	0 6	—	10 6	10 6	1 15	8 11
18	—	—	—	—	—	1 18	6 13
19	—	—	—	—	—	2 2	4 11
20	—	—	—	—	—	2 6	2 5
21	—	—	—	—	—	0 11	1 14
22	—	—	—	—	—	0 10	1 4
23	—	—	—	—	—	0 9	0 15
24	—	—	—	—	—	0 7	0 8
25	—	—	—	—	—	0 5	0 3
26	—	—	—	—	—	0 3	—

Surplus shillings omitted - £ 33 16s. 0d.

4213. Is the proportion which the fresh loan bears to the original loan always that which you have stated?

—The rules say that fresh loans may be advanced on security taken, not amounting to more than 50 per cent. of the money repaid, so that if 20*l.* had been repaid you can lend again 10*l.*, and so on. The principle is this; there is a widow, for instance, and there is some one anxious to serve her; he places her in a house, having obtained the 200*l.* appropriation to do so. I will suppose that it is a little shop, for which she has to pay 10*l.* a year, which will enable her either directly or indirectly to get 20*l.* a year. He himself, anxious as he is to be a philanthropist, would like to be so at no cost to himself, and he has the power to do that in our society. He has expended the 20*l.* in putting the widow in possession of the house; at the end of the year he has to pay 20*l.* for her, but she can only pay him 10*l.* He then has another loan, and gets 10*l.* from another appropriation, taking the money by 10*l.* instalments, and the result is that all that the widow is not able to pay he is able to pay by having the money, and the repayments show curiously enough that the accumulation in the society is always at the rate of 10 per cent. per annum, while in reality it is only five per cent. which is repaid. That is shown by a table; it is a very important point. Every year the repayment goes on increasing until it is 38*l.* 8s. a year at the end of the 10th year; but by dint of the re-borrowing he has paid off the 200*l.* loan, and then the payments drop down, until in the 17th year the payment is annihilated, and thus practically he has 20 years to pay the 200*l.* instead of 10 years. That, I know, is one of the most difficult problems; it is one which took me a long time to demonstrate, but the demonstration is practicable and highly valuable. (See *Return annexed*, No. 3.)

4214. (To Mr. Prangnell.) You are the secretary of the 38th Starr-Bowkett Benefit Building Society?—Yes.

4215. You have heard Dr. Bowkett's evidence. There are probably some points upon which you would wish to state your views. Will you explain to us the difference between a Starr-Bowkett society and the original Bowkett societies?—The difference is, that a man after he has repaid the money which has been lent to him on property, has to pay an increased subscription, so as to make the society terminate at an earlier period than it would do if the member still continued to pay his ordinary subscription. That is to say, a man who has an advance of 300*l.* upon a house pays back at the rate of 30*l.* a year, that is 10 per cent. of the advance, and a subscription of 1s. 3d. a week, or 3*l.* 5s. per annum. At the end of 10 years he would have repaid the 300*l.*, and paid into the society in subscriptions 32*l.* 10s. The society now says, In order to enable the other members who have been waiting, and are still anxious to get their appropriations, to do so, and to make the society terminate as quickly as possible, we think it is only right that you should make up your proportion of subscription, viz., 8*l.* 5s., by paying at the rate of 30*l.* a year during the next two years. The result is that at the end of 11½ years from the time when the man borrowed the money he has repaid the 300*l.* lent him to the society, and he has 8*l.* 5s. subscriptions in the society. At the close of the society these subscriptions are returned to the member, less 2s. per ann. deducted for working expenses if necessary.

4216. What is the advantage which you consider that that principle has over the original Bowkett society?—We consider that the last member will obtain his appropriation in the 18th year. Dr. Bowkett has stated that his societies will take a much longer time to work out, and that is the reason why we have increased the subscription after the member has repaid his appropriation.

4217. Was that alteration made to meet any dissatisfaction which members felt at not obtaining their advances at an earlier period?—No. When Mr. Starr commenced these societies I made full inquiries into the working of them, and great objections were raised to Dr. Bowkett's societies in consequence of the length of time it took to give each member an advance,

and to wind the societies up; to obviate that difficulty Mr. Starr increased the original subscription, after the advance had been repaid, to shorten the duration of the society. While upon this point, with reference to double shares, the doctor will concur with me, and with all secretaries, that we find it a very difficult matter to get the members to understand why they should take two shares if they require more than 150*l*. As you are aware, the Act of Parliament says that no larger sum than 150*l*. shall be advanced upon a single share. Of course that can be easily got over by a member taking two shares; but it is a most difficult point to get the members to understand why they should pay 7½*d*. per week upon one share, and 7½*d*. per week upon another—1*s*. 3*d*. instead of 7½*d*. I think that it is very necessary that in the new bill which is about to be introduced that difficulty should be got over.

4218. (*To Dr. Bowkett*.) Do you concur in that view?—I like the original bill, and what Mr. Prangnell states has always been the practice in our society. We have always required the person who got an appropriation to pay up the remainder of his subscription; that is identical with the original idea.

4219. Do you concur in the view that the 150*l*. limit should be abolished?—I do not, because I have found it very convenient. When Mr. Tidd Pratt objected to it, I found it more convenient to divide our 9½*d*. or 10*d*. into four 50*l*. shares; we now divide into four shares, and it is very convenient to be able to advance 50*l*. upon one share.

4220. (*To Mr. Prangnell*.) Are the Starr-Bowkett societies certified?—Yes.

4221. The provision of the Act of the 6th and 7th William the Fourth is, "That it shall and may be lawful for any number of persons in Great Britain and Ireland to form themselves into and establish societies for the purpose of raising by the monthly or other subscriptions of the several members of such societies shares not exceeding the value of 150*l*. for each share, such subscriptions not to exceed in the whole 20*s*. per month for each share, a stock or fund for the purpose of enabling each member thereof to receive out of the funds of such society the amount or value of his or her share or shares therein." Has that provision interfered with the advance to members of your society?—I do not exactly understand the point which you wish to get at.

4222. Supposing the amount or value of one of your shares to be 25*l*., would that entitle a member to an advance of 100*l*., for instance?—No, the societies are not constituted in that way; we have a limit as to the amount which the share shall be, that is prescribed to be 8*l*. 5*s*. 0*d*.; but if it was put into the Act of Parliament as 25*l*. or any other sum, it would be immaterial, so long as a certain sum is specified. What I object to is that you should not be able to advance more than 150*l*. upon a single share.

4223. I do not think that you quite catch the point which I mean. In your societies, putting the amount of a share at 25*l*., if the holder of that share wishes to have an advance, say of 100*l*., an advance of a larger amount than that of his share, must he take four shares?—Yes. If he requires more than 150*l*. he takes a greater number of shares. In the Starr Bowkett societies it is also stated that no man shall hold less than two shares, so as to entitle him either to 250*l*. or 300*l*. A member to be entitled to 250*l*. pays 1*s*. per week. A member to be entitled to 300*l*. pays 1*s*. 3*d*. per week.

4224. In your societies are the advances decided by ballot?—Yes.

4225. And not by sale?—No.

4226. When a shareholder has been fortunate enough to succeed in the ballot, is it a customary thing for him to sell his right?—Yes.

4227. Can you state at all what premiums are generally given?—45*l*. to 50*l*.

4228. Then practically it frequently amounts to a sale?—It does so.

4229. That amount of course is an addition to the repayments which the individual obtaining the loan has to make?—No, it is between the member and the purchaser.

4230. But supposing that a member wishing to obtain one of these advances pays the man who has succeeded in the ballot a premium for his advance, that premium is so much more paid by the member who gets the advance?—Yes, and it is very cheap too.

4231. (*To Dr. Bowkett*.) Do those transactions often take place in your societies?—When they do take place in our societies, they always take place among the members of the society, the advances are never sold to outside people.

(*Mr. Prangnell*.) They are generally sold to members.

4232. (*To Dr. Bowkett*.) Is the premium which is given as large as Mr. Prangnell has stated?—Yes, 200*l*. used to sell for 30*l*., and 250*l*. would be 37*l*. 10*s*.

4233. (*Mr. Bonham-Carter*.) Is there any record of that transfer?—Yes. A holder of 10 shares had a 250*l*. appropriation. He had just gone into the house and had taken it for three years, and he did not want to buy his house for three years. He sold his appropriation for 37*l*. 10*s*. to another holder of 10 shares. At the end of the time the appropriation came to him again, and he had his appropriation plus the 37*l*. 10*s*. for which he had sold his previous appropriation, and now he is receiving back his money.

4234. (*Chairman*.) Supposing that a man has purchased the right to an advance in this way, is he allowed to ballot again?—He changes his shares with somebody who has not had the right, and therefore he takes the place of a person who has not had the right, and he uses the right which he has purchased.

4235. (*Mr. Richards*.) Then the difference between your mode of making advances and that of ordinary societies in which premiums are allowed is, that in your society the lucky drawer has the profit of what is paid by way of premium, whilst in ordinary building societies the amount of premium goes into the general funds of the society?—That is true.

4236. (*Chairman, to Mr. Prangnell*.) What is the practice of your society, if a man cannot keep up his payments?—He is fined a halfpenny a week on the amount due, two shares, and if he wishes to withdraw he has to give three months' notice, and provided that sufficient money comes in from the return of appropriations he is paid out at the end of the three months; if not, he must wait until sufficient is received before he can receive back his subscriptions, less 1*s*. per share per year deducted for working expenses.

4237. In default of the repayments upon loans being made, is the practice of your society similar to that which Dr. Bowkett has described?—No, there is a fine of 2½ per cent. per week upon the amount due.

4238. How much is that per annum?—About 115 per cent. per annum. The reason is to enable us to meet the demands of the withdrawing members, who lend their money without any interest.

4239. The withdrawing members are not allowed interest?—No.

4240. Will you state the points upon which you differ from the opinions of Dr. Bowkett?—With regard to the directors, that is to say, in my own society, we do not pay any fees. I am the only paid officer. But in most Starr-Bowkett societies they find great difficulty in getting members to take the official business, and therefore they have adopted the rule of paying them 1*s*. or 2*s*. when they attend to assist the secretary to receive the subscriptions from the members, and should they not attend they are fined 1*s*. on each occasion that they are absent.

4241. Can you state the annual amount of the expenses for management of every kind in your

*Dr. T. E. Bowkett, Mr. W. J. Prangnell.*

31 Mar. 1871.



*Dr. T. E.  
Bowkett.  
Mr. W. J.  
Prangnell.*

31 Mar 1871.

society?—Yes. I have the scale here for the last six years.

4242. What is the total?—It averages 50*l.* per annum; that includes my salary, the rent, and stationery, &c.

4243. Does it include the solicitor's expenditure?—No, that is kept distinct. When a man has a mortgage the solicitor prepares the deeds, and his charge is made according to the scale in the book of rules; the borrowing member pays the solicitor; it has nothing to do with the society.

4244. I see that you have a solicitor to the society; is there any fixed rate of payments to him?—Yes.

4245. What is it?—About the same as Dr. Bowkett has stated. For investigating the title, 1*l.* 1*s.*; for the preparation and completion of the purchase deed, 2*l.* 2*s.*; for the preparation and completion of the mortgage to the society, exclusive of registering or enrolment, if such should be requisite, 3*l.* 3*s.*; for the perusal of the mortgage deed when prepared by any other solicitor, 1*l.* 1*s.* A mortgage generally costs 4*l.* 4*s.*, which we consider to be very reasonable.

4246. Have you any survey committee among the directors, or is there a paid surveyor?—On the occasion of an appropriation seven of the members are elected to view the property; if it is within two miles they act, but beyond two miles the member can have a surveyor by paying his fees, and the surveyor must be approved by the committee who have been elected on the night of the appropriation. The survey committee are allowed one guinea for surveying property, the amount being divided equally amongst those who act, five being the quorum.

4247. Do those payments which you speak of come out of the member's pocket, or out of the funds of the society?—Out of the member's pocket.

4248. Then what do you put as the additional cost to the member for that purpose?—One guinea.

4249. In all cases?—Yes.

4250. Is there any other point upon which you differ from Dr. Bowkett?—Yes; there is one point in our society, we have a redemption rule. Soon after starting we found that many persons refused to become members in consequence of the length of time which it would take to work the society out, that is to say, 18 years before the last member would get his appropriation; and in order to meet that difficulty we framed a rule by which a member, when he has repaid the money advanced to him, can forfeit a certain amount of his subscriptions to the society, instead of subscribing the whole 81*l.* 5*s.*, and can take his deeds and go clear of us. That rule is a perfectly optional one. We have had three cases of that kind occurring which have been beneficial to the society. One was a case of death, and there was a dispute as to who should administer; I had to go before a judge at chambers, and the parties said that they wished to go out of the society and to have nothing more to do with it. Under our original rules we could not have released them, but the new rule enabled us to let them quit the society, by forfeiting a certain amount of subscriptions. If a man took 10 years to repay his 300*l.* and said, "I want to have 'nothing more to do with you,'" he would give the society the sum of 59*l.* 18*s.* If he borrowed 300*l.* at five per cent. interest, and repaid the principal and interest yearly, the principal being reduced yearly, it would come to 82*l.* 10*s.*; so that the amount forfeited to the society is less than five per cent.

4251. Have any instances occurred in your society of members having entirely failed in their repayments of advances, and the society having been obliged to have recourse to further proceedings?—Yes, we have one case; we are now receiving the rents, having taken possession of the property, and we intend to put up the houses by auction upon a suitable opportunity. If more money is received than is required, it will be placed to the credit of the member who had the advance.

4252. In that case had much money been paid in fines?—No fines had been paid.

4253. Will you give us a few figures as to your society?—We now consist of 270 members, holding 570 shares; those are double shares, so that they only represent 285 shares, 40 of which have received advances. We have received in subscriptions during six and a half years 10,634*l.* We have advanced on properties 11,015*l.* We have returned to members 3,922*l.* We have received from the return rents 4,625*l.* Our gross income has been 15,536*l.* These figures will speak for themselves, and show the benefits which the society has been able to give during the six and a half years.

4254. I see that you state in your last report, "The last balance sheet shows that a profit has been made of 265*l.*, and this, which it is natural to infer will increase, will be divided among the members on the termination of the society?"—Yes; that is made up by the deduction of 1*s.* per share per year which we take credit for in our balance sheet, and the moneys which have been forfeited under the redemption rule.

(*Dr. Bowkett.*) Will you allow me to illustrate that? The cause of gain is that when a member has paid back his money he has to pay so much more, and to have done with the society. The sum for which he is let off is less than the sum would have been if he had remained in.

(*Mr. Prangnell.*) I referred to the increased subscriptions which the member has paid, after repaying the amount advanced.

4255. (*To Dr. Bowkett.*) Can you tell us at all how many there are of the societies with which your name is connected?—I sent up an account of the number existing about 22 years ago, and I have one of the balance sheets now of one of the societies there mentioned. I only know that there are hundreds, but I have no record of them. The title of my first pamphlet was, "Instructions to teach people how to 'form societies,'" so that they should not come to me; and that has been my principle all my lifetime, telling them what to do, and what will be the result of their doing so. All these things which my friend Mr. Prangnell has been enumerating as originating the Starr Societies are quite a mistake; they are all to be found in my book, except that in copying them they have spoilt them.

4256. You cannot give us any idea of the number of the societies, or of the number of members?—In my own locality the number of members is 281 in the societies under my own immediate direction, which are almost exclusively composed of the poorer classes. I cannot state the number of members in what would be called the more respectable societies, namely, the societies of 15 or 16 years' duration, which come under the head of those which are highly useful to the rich but useless to the poor. They are useful to foremen and others who can pay double rents. The same thing may take place in an investment society; thus a member says, "I will take so many shares, and 'I will pay any rate of interest you like.'" "Agreed." "You shall have 500*l.*, and you shall pay us 15 per cent. per annum interest; we will not tell you that 'it is so, but we know that it is so.'" "Granted." He comes and takes so many shares, by which he gets as much interest as he pays. Practically he gets the money without interest on that account.

4257. Did your societies agree with the investing societies in the promotion of the bill of last session?—No; we have never had anything to do with the bill, nor are we anxious for it.

4258. (*To Mr. Prangnell.*) Can you give us any information as to the number of Starr-Bowkett societies?—The last number which I saw was 148.

4259. Have you any idea of the number of members?—No.

4260. Are the Starr-Bowkett societies of the same opinion as to the bill of last session as the Bowkett societies?—It does not affect them so much; but I may say that they are of the same opinion as the Bowkett societies; they do not go in for the bill so much as the permanent societies; they do not

*Dr. T. E.  
Bowkett.  
Mr. W. J.  
Prangnell.*  
31 Mar. 1871.

see the need of it. There is one thing with reference to the Starr-Bowkett societies to which I should like to refer, namely, the withdrawals. Of course, if a larger sum is on the books under notice than you can pay out in the three months, the members must wait until it is provided. Sometimes they are 9, 12, and 18 months before they can have their money; and in order to get over this difficulty, the later societies have adopted a rule by which members shall not be allowed to withdraw until after three years from the commencement of the society, because then it is supposed that there will be sufficient money to meet the demands upon the society. If a member has 10*l.*, 15*l.*, or 20*l.* in the society he begins to think he can do something with it, and if he does not get an appropriation, he withdraws; a man will not have patience to wait; they forget the principle that they are knit together for the benefit of each other, and they want to withdraw before they get their benefits.

4261. (*To Dr. Bowkett.*) Do your societies exist much out of London?—Yes, very extensively. They exist, I think, in all parts of the world. I know that they exist in Sydney, and I have often received letters from abroad rejoicing in the success of them.

4262. (*Mr. Richards.*) Can you give us any notion of the proportion of withdrawals to the number of members?—I should say that there are quite three out of four; but I should also say that the withdrawals spring from rival societies who think that they are a wonderful improvement.

4263. (*To Mr. Prangnell.*) Would your proportion of withdrawals be about the same?—No, they are not so many.

(*Dr. Bowkett.*) For the last 10 years this has been the rule regulating withdrawals, as you will find in the book—"Any member taking part in an appropriation shall be bound to do that for another which he would have done for himself. Therefore any notice of withdrawal given within five years after a member takes part in an appropriation shall be invalid." We were driven to that, and have adopted it for 10 years, and have found it excellent. Under that rule the result is, that in the eighth balance sheet of our 10th society the number of shares taken in that time has been 258. The number now subscribing is 181. We allow a person taking three or four shares, and getting into arrears, to squeeze them all into one, and that accounts for a number of withdrawals.

4264. (*To Mr. Prangnell.*) Does your experience lead you to believe that it is more acceptable with the general mass of subscribers to building societies, that the payments shall be in excess of the amounts originally laid down by Dr. Bowkett, and spread over a shorter time?—Yes.

(*Dr. Bowkett.*) I believe that that is the principle upon which they think they go; it unhappily happens that the rules which they adopt for carrying it out produce a very unjust result.

4265. (*To Mr. Prangnell.*) Any society, therefore, whose operations would probably extend over a greater period than, say 13 years, would not be popular with the general mass of the working classes?—It would not.

4266. Does your experience lead you to believe that an average of from 11 to 13 years is about the right time?—Twelve and a half years is about the right time.

4267. Does a subscription of 12½ years, as a rule, enable an investor and borrower to obtain a house for himself?—It will depend upon the amount of subscription, and the sum which he requires upon the property.

4268. I am taking an ordinary working man with a house, say of 80*l.*; would your amount of subscriptions enable him to purchase that house within 12½ years?—I think that it would.

4269. (*Mr. Bonham-Carter.*) In the practice of your society, you tell us that when a ballot takes place, and the man who draws does not care to receive the

money at once, he can sell his share, and that it is sold at a premium of about 50*l.*; and that the man who pays the premium is put into the position of the holder of those shares, and has no right to draw again. Supposing the persons to be A. and B., has A., the seller of the successful drawing, the right to draw again?—If he holds another share, but not upon the same share.

4270. Does he take B.'s shares?—Yes, if B. is a shareholder.

4271. A. draws successfully, B. wants the money, being also a shareholder with the same number of shares; he buys at a premium of 50*l.* the right to the money; are the shares transferred from A. to B.?—The shares are transferred from A. to B., and if B. is a member of the society he transfers his shares to A., and A. would then participate in the next appropriation if he had paid up.

4272. Supposing your society to consist of 26 members, from A. to Z., the first ballot is I presume with all the 26?—Yes.

4273. And as each man draws successfully he is excluded from the succeeding ballot?—Yes.

4274. There may be a good premium paid if A., the first drawer, does not want his money, because there may be a considerable competition. Does not the premium which is paid decrease with the successive years?—It does slightly.

4275. With 26 members, supposing that there was a question between Y. and Z., would not there be a very small premium if only two members remained to draw, and if Y. wanted to sell his share to Z.?—No, because the subscriptions would be returned immediately after the last member got his appropriation, whereas the first member had to leave in a large sum of money to enable the others to get their appropriations. Therefore if Y. got his appropriation there would only be one more appropriation to make, and consequently Z., knowing that, would give a good price for it, because he would know that his subscriptions would go to assist in paying off the money to be advanced. If Z. wished to purchase Y.'s appropriation, he would give 50*l.* for the use of it, because he would immediately purchase the house he occupied with the 300*l.*, and thus save a year's rent (30*l.*), and he would also have the amount of his subscriptions placed to his credit, therefore only paying back 26*l.* for the 300*l.* borrowed. On Z. obtaining his advance, he would sell it, and there being no subscriptions to pay, it would easily sell for 50*l.* Thus, by Z. purchasing Y.'s advance, and selling his own, he has cleared 30*l.*, viz., a twelvemonth's rent.

4276. (*Chairman.*) Is it the practice, as I think Dr. Bowkett has told us, that the last man who obtained an advance is the first man to obtain the repayment of his shares, and that therefore it is an advantage in that way to the last man who obtains his advance?—Yes, that is what I mean.

4277. The earlier a man obtains his advance the longer he has to wait for the repayment of his shares?—Yes.

4278. (*To Dr. Bowkett.*) Are you aware whether the members of your societies, being as you have described of the poorer classes, attach much value to the exemptions which legislation has given to building societies, from stamp duty, for instance?—Not at all. They do not trouble their heads about it. And I am not anxious that they should, for I think that they will get on much better without legislation. If you were to let me put, in the certificate of the barrister, instead of that it is according to law, its being according to equity and justice, I could very soon dispel the illusion.

4279. Supposing those exemptions to be abolished, you do not think that members of your societies would much care?—Not a bit. They do not trouble their heads about it. "The great thing is," I tell them, "that 10, 20, or 30 of you can do these things by yourselves and for yourselves. You want neither



*Dr. T. E. Bowkett.*  
*Mr. W. J. Prangnell.*

31 Mar. 1871.

"auditors, nor a ceremonial board of directors, you can go by the book."  
 4286. (*To Mr. Prangnell.*) Are you of the same opinion as Dr. Bowkett?—No, I entirely disagree from the doctor.

(*Dr. Bowkett.*) I think that it would be a good thing if the extra amount which is paid by the purchasing members went to the legislature, instead of going to lawyers, who are an abominable tax upon the community.

4281. (*To Mr. Prangnell.*) Will you state your opinion with regard to the exemptions now afforded to building societies?—My opinion is that many members sell their appropriations because they cannot afford the expense of a mortgage, and that, therefore, anything which would tend to increase their payments for mortgages would be a detriment to building societies.

The witnesses withdrew.

*Mr. T. F. Peacock.*  
*Rev. T. Thomas.*

MR. THOMAS FRANCIS PEACOCK and the Rev. THOMAS THOMAS examined.

4286. (*Chairman, to Mr. Peacock.*) I believe that in your professional capacity as solicitor you have had a good deal to do with building societies?—Yes. I may say with all classes of them.

4287. Can you state shortly, for our information, the salient points of difference between the different classes of societies?—At the request of Mr. Laird I wrote him a letter which is an exact answer to your question, and with your permission I will read the letter which I then wrote:—"Building Societies are now regulated by the 6th and 7th Wm. IV. chap. 32, an act passed in 1836, to enable any number of persons to form themselves into and establish societies, for the purpose of raising by the monthly or other subscriptions of the several members of such societies shares not exceeding in value 150*l.* each, the subscriptions not to exceed 20*s.* per month for each share, a stock or fund for the purpose of enabling each member thereof to receive an advance to enable him to erect or purchase one or more dwelling house or dwelling houses, or other real or personal estate, to be secured by way of mortgage to such society until the amount or value of his shares has been fully repaid to the society, with the interest thereon, and all fines or other payments incurred in respect thereof. The mode in which the funds are raised varies according to the principle of the society. The permanent societies usually have a fixed monthly or other period for payment of their shares, of which the value is prescribed by the rules, together with a table of repayment, and the member can see what payments he would have to make to repay an advance for any number of years, and he would take as many shares as would be equivalent to the payment of the fixed scale of repayments. The terminating societies fix a value to their shares and prescribe the mode of payment, and when sufficient money is in hand sell the anticipated shares to their members at a discount, and the value of the shares less the discount is paid to the member, he having to take up sufficient shares to secure a return to the society (within the time required for termination) of the value of the shares so anticipated. The Bowkett and Starr-Bowkett societies give a value to their shares, viz., 81*l.* 5*s.* to entitle a member to an advance of 300*l.*, repayable in 10 years by weekly payments of 1*s.* 3*d.*, and before those weekly payments are expected to amount to 300*l.*, they hold a meeting of the members and decide upon the member who is to receive the first 300*l.*, and so on, until every member obtains his 300*l.*; and when that event happens the subscriptions created by the weekly payments, and otherwise, are returned to the members; the member last obtaining his 300*l.* advance is entitled to have his share money returned to him first. The alternate ballot and sale societies are conducted in a similar way to the Bowkett and

4282. Even to so small an amount as the stamp duty?—I do not know what the amount is or might be, I would rather let it be as at present. I should like the expenses to be as small as possible, in order to enable every member to purchase his own house.

4283. Apart from the question of expense, do you think that the members of your society attach anything like a sentimental value to the advantages which are given them by the legislature?—Yes, they do. Every half crown is half a crown to a poor man.

4284. I say, apart from the question of expense, do they think that the legislature wishes to treat them with special favour?—Yes, they recognise that the legislature wishes to do so.

4285. Is it your opinion that the abolition of those exemptions would be very much objected to by the members of the society with which you are connected?—Yes.

"Starr-Bowkett societies, except that every other advance is sold to a member at a bonus, and the repayment of the amount of this bonus is spread over the period of the advance." Those I may take it are the three most popular forms of societies in London.

4288. Are you aware how many Starr-Bowkett Societies there are in existence in London and its neighbourhood?—150. My reason for saying so is this: I am solicitor to the 20th Starr-Bowkett Society, and I am also solicitor to the 140th, and I believe that that 140th was one of the last which was established in London. With regard to the ballot and sale societies I could not state positively, but I should think that there are more than that number. Within the last few years the ballot and sale society has been a very popular class of society. Of the permanent societies I think that there are not so many, but they are larger in their operations. In a few years they have grown up into very large societies.

4289. Your answer simply has reference to the London district?—Yes.

4290. Are you acquainted with many terminating societies in the London district?—I do not think that there are many in existence now?—There are the North-western London societies represented by Mr. Holcombe. I believe that Mr. Holcombe has been secretary for between 25 and 30 years; and he has, I think, established about one society every year, so that I should think you might take the number of those societies at 100. They used to be very popular, terminating in 10 years; but I think that Mr. Holcombe is the only representative in London of that class of society. He has a connexion, and they are very successful.

4291. What is the result of your experience, as regards all these societies, of the class of the members of each? Should you say that the members of one class of societies are, as a rule, in a different social position from those of another class?—Decidedly, there is a great difference. The building society question is divided into two classes, the permanent or better class of societies, and the mutual societies. The mutual societies are nearly all of the poorer class. In the Bowkett and Starr-Bowkett societies the greater portion of the members are what are popularly called the working classes, although others may join them for speculation, or as trustees. The bulk of the members of ballot and sale societies are mostly of the middle class. I think that all classes join the permanent building societies.

4292. So far as your experience has gone, do you think that there are many members of the permanent societies who belong to a class whom the legislature hardly had the idea of benefitting, in its legislation with regard to building societies?—With the exception of what I call speculative builders (and I do not think that the legislature ever intended that these societies should be used by that class of people), I think that

the members of all the classes of societies are such as should be benefited. Amongst the class of people who want to borrow in order to purchase their own houses, the higher you get up in the social rank the poorer really they are.

4293. In your opinion, does the limit of 150*l.* a share point in any way to the value of a house?—No; I think that that is an entire mistake. I never could understand why such a limit should be fixed. I do not think that there was ever a time when you could buy a house for 150*l.*

4294. (To the Rev. T. Thomas.) I think that you are a good deal connected with building societies at Swansea?—I am.

4295. Is it within your experience that houses are to be obtained at that price about Swansea?—The societies which we have about Swansea are established principally for building houses, and not for purchasing property in connexion with building. They are generally built upon leases.

4296. But whether a house is built or purchased, would as a rule its value exceed 150*l.*?—No.

4297. At what value should you put the class of house which is ordinarily built or purchased by the members of the building societies there?—The houses that are generally built for working men cost somewhere about 85*l.*

4298. (To Mr. Peacock.) Your answer, I take it, rather applies to the value of house property in London?—Quite so. I have been in practice for 10 years in London. I served my articles in the country, but that would not enable me to give any opinion as to the country.

4299. (To Rev. T. Thomas.) Does the 85*l.* of which you speak include the cost of the site?—No.

4300. It is simply the cost of the building?—It is the cost of the building only.

4301. (To Mr. Peacock.) In one of your answers you spoke of speculative builders being benefited by legislation; to what did you refer?—It was in answer to your question as to whether there was any class of persons benefited by building societies, whom the legislature did not intend to benefit, and who ought not to have the benefit of them. In building societies, I look upon it that the most dangerous investments which we have are those proposed for security by what are commonly called speculative builders. If we ever get a foreclosure, it is in a case of that kind, so much so that whenever a builder comes into my office as a borrower I always strongly advise him not to borrow; in the first place it does not pay the builder, and in the second place it is a security which we are better without.

4302. As a rule you think that building societies should advance money upon houses already built, rather than with a view to building?—Generally so. If a member is seeking to build for himself, as the Act of Parliament contemplated, then I do not think that there is much risk.

4303. But in the other case it is a speculation which you would consider dangerous?—I think so, and I think that it should be discouraged.

4304. Can you suggest any way in which that speculation might be discouraged by law?—I am afraid that that is one of the things which must be left to the management of the societies. I do not myself see how any enactment would really avoid it. If you say that you should only lend upon property which is intended to be occupied by a member, that member may be a builder, and as soon as he has an advance upon the house he may leave it. I was thinking of that point this morning. I do not really see how that could be avoided.

4305. You cannot suggest any regulation as to the management of the society which would prevent that class of advances being made?—I am afraid that if any arrangement of that sort was made it would be evaded, and I have at all times a great objection to putting in something which in all probability would be evaded. You had better leave that to be guarded as circumstances arise.

4306. You have told us of the differences between the terminating and permanent investing societies, and mutual societies, but there is another class of societies to which you have not referred, and those are land societies in connexion with building societies?—

At the present time those societies are legalised as building societies, and in my opinion improperly use the funds of the society for the purpose of investing them in land. The trustees and everybody connected with it incur a great liability, but at the same time I think that in any new Act of Parliament, under proper provisions, these societies ought to have the power to buy land and allot it amongst their members. I think that it would be beneficial that they should have that power, of course under proper restrictions.

4307. You would, I suppose, confine their power to buying land which should be used as sites for buildings?—Decidedly.

4308. What restrictions are those which you speak of?—There should be a restriction of this kind, that before the officers of the society purchased they should have a vote of a general meeting of the whole of the members, so that although the members entered into the society knowingly, they should purchase in every instance at their own risk; for instance, say that half the members present should be required to vote for it. Land will be purchased by these societies, and it is much better that it should be done under the protection of an Act of Parliament with restrictions than without. Persons will take liabilities upon them, and in some instances, perhaps, although they are liable they are not able to pay, and consequently their liability comes to nothing.

4309. Without the check of the general meeting to which you have referred, I suppose that the directors of the society might almost call it a speculation on their own account?—Yes, and very frequently it is so.

4310. They buy land at a low price?—If you buy almost any land at a reasonable price, and allot it, it must be a profitable speculation; it may take some time to develop itself, but there is no question of its being a profitable speculation in time.

4311. You have said that at present there are many societies which, having been registered as building societies, act as land societies?—Yes, many of the building societies have failed in consequence. The failure of the building societies was in consequence of their land speculations. On the other hand the large land societies do well, but they do it in the way which has been mentioned.

4312. Is there not a great difference between the original idea and practice of a building society and that of a land society?—Yes, but I do not see any difficulty in combining the two, if it is done properly.

4313. Is there any necessity to combine the two?—There is no necessity, but a land society can only be properly incorporated under the Joint Stock Companies' Act. You have no power under the Building Societies' Act to incorporate a land society. The building societies use the funds in that manner, and it is better that they should not do so. If it is considered that a building society ought not to invest money in land, then I think that it should be expressly enacted that no building society should invest in land, in the same way as it is enacted in the Friendly Societies' Act. The friendly societies are prohibited from purchasing land, except for the purpose of their places of meeting.

4314. Did you not prepare a bill in conjunction with Mr. Scratchley in the year 1869 upon the subject of building societies?—Yes.

4315. What provisions did you propose in that bill with reference to the business of a land society?—Beyond that point we had not materially considered the matter. It was rather the heads of a bill; and in forwarding that document to you, I considered that it would bring out any expression of opinion which you might require. I am quite prepared to develop any of those heads into form, and to express my opinion upon them on a future occasion if required.

4316. Are you acquainted with Mr. Gourley's bill

Mr. T. F.  
Peacock.  
Rev. T. Thomas.  
31 Mar. 1871.



Mr. T. F.  
Peacock,  
Rev. T. Thomas,  
—  
31 Mar. 1871.  
—

of last session?—I have read the first one, but there is another which I have not seen before to-day. I have just been looking at it. I would refer to the 16th clause, which states that "the rules of a society under this Act shall, so far as the same are in conformity with law and with the provisions of this Act, be binding on the several members and officers of the society." I think that if the rules are only binding so far as they are in accordance with law, we had better not have them certified at all.

4317. Has your attention been called to the clause in that bill under which dealings with land might take place? I refer to clause 20 of Mr. Gourley's amended bill as to the investment of surplus funds of a society; and also to the 34th clause, which is simply a provision for the purchase of a building or land for the purposes of the society?—I see that the 34th section would come in in another part of my bill, where I provide that the society might take or purchase their own building, that is to say, any building which they might require for the purposes of their business. Clause 20 seems to me only to refer to the surplus funds of the society. Now it might be very desirable that the society should have an opportunity of purchasing land, although they might not have surplus funds. It is quite possible, and it is probable, and in fact I think that the members of the society themselves are often willing to advance to the society the money to enable them to purchase the land, and let the society take the profit or loss upon it, as the case may be. Now this 20th section would not go so far as that, it would only enable them to invest their surplus funds.

4317a. In your opinion, would the 20th clause enable this land society business to be carried on legally by building societies?—I do not think that the 20th clause would be sufficient for the purpose.

4318. You are probably aware that the definition of surplus funds is rather vague?—Yes, but it is coming back to another point, namely, that vagueness is just one of the things which in a building society bill should be avoided, because many members of building societies study and try to understand the rules, and they try to understand the Building Societies' Act in relation to them; and many building societies buy the last edition of Mr. Tidd Pratt's book, and have it at their board meetings; and I have very frequently met with this difficulty, that they refer to Mr. Tidd Pratt's book for their information when the question is under the sections of the Act of George the Fourth, which that book does not give.

4319. What were the provisions of your bill in that respect?—It did not progress further than that document which you have.

4320. I see that in the 9th section of this document it is laid down that the rules of the society may provide, among other things, that the trustees of the society may buy land or houses for division among the members, and may incur debts on behalf of the society for the purchase money?—Yes, that is really the land question, it brings it out in another form. Of course, in drawing a document of this description one had to provide many things which possibly would not pass, but it would cause a discussion, so as to bring out the whole of the facts in relation to these things.

4321. The effect of this provision, supposing it to be embodied in an Act, would be openly and above board to place land societies on the same footing as building societies?—Quite so.

4322. And your reason for proposing that I understand to be that they do land business already, and therefore that it should be legalised?—I think that it is better that it should be legalised, because if it is legalised you may protect the societies, and the members, by any restrictions which may be considered desirable.

4323. Have you considered whether, in the public interest, there is any reason why land societies should obtain the benefits which legislation has provided for building societies?—The cost of the incorporation of these benefit building societies, and the question of the Stamp Act, was the principal difference between

those societies and other companies. A large land society, starting and intending to progress in a large way, would at once incorporate themselves under the Joint Stock Companies' Act.

4324. Would they do so, supposing them to be placed in the position in which your proposal would place them?—I should say that large societies would do so, but that the small ones would take the benefit of being able to proceed under the Building Societies' Act. It would not affect the large societies, but the small class of people whom the government intended to benefit by these societies would take advantage of it.

4325. The large societies, however, might do so?—They might do so, but I do not think that the public interests would be prejudicially affected by it.

4326. Why should the large land societies be exempted from the stamp duty?—That is another question altogether. I think that for a class better than the poorer class there should be a special rate of stamps applying to those cases.

4327. Do you mean a lower rate than the usual rate?—Yes, but if it comes amongst the classes who do not feel the shillings I think that they should pay. I had a case yesterday where the getting together of every shilling of the portion of money to be provided by the member was of the greatest importance.

4328. Are you acquainted with building societies which have no connexion whatever with land societies?—Yes; I am not connected with any society which does the land business.

4329. Can you mention any societies of that kind?—I will take my own permanent society, namely, the Kentish Town, Camden Town, and Highgate Benefit Building Society.

4330. That is entirely a building society?—Entirely.

4331. Is that a permanent or a terminating society?—It is a permanent society, but the shares terminate every 10 years; it is popularly called a permanent society.

4332. What do you mean by the shares terminating every 10 years?—The *modus operandi* of that society is that the shares are estimated in 10 years to produce 100*l.*, more or less, and that is fixed as the value of the share. The members pay 10*s.* per share per month, making 60*l.* in 10 years, and that society will at the expiration of this year have completed its 10th year. We had a valuation at the sixth year, and the accounts were gone through by Mr. Scratchley, the actuary, and at the expiration of the sixth year, after providing for all our liabilities, and full repayments to the members, and five per cent. interest, declared a bonus, which bonus of course is credited to the member. He does not receive it until he has withdrawn. At the expiration of the 10 years there will have to be another valuation, and the then actuary will value the assets again, and will go through our books, and he will see what profit the shares have made, and then each member will receive 100*l.*, more or less, upon his share, that is to say, an investing share.

4333. Has that society been successful as a building society?—The result of the calculation in the sixth year proved that it had been successful. Of course the success in a great measure would depend upon the quantity of business done. We have not done a large business, for the simple reason that we preferred having safe investments to doing business of a risky character.

4334. Have you borrowing powers in that society?—We have at the present time. In the original rules which were submitted to Mr. Tidd Pratt the borrowing powers were struck out. Since then various rules were submitted, and refused; after the last decision, which decided that under certain conditions the society should have borrowing powers, that rule was passed, so that we now have borrowing powers. The same rule in effect has been four times before the office for certificate, and refused—the fifth time it passed.

Mr. T. F.  
Peacock.  
Rev. T. Thomas.  
31 Mar. 1871.

4335. Can you state the number of members of the society?—I cannot; but if it be any assistance to the Commission I can get that information. I do not know from memory.

4336. Can you state whether that society has exercised its borrowing powers?—I do not think that any borrowing power has been exercised. We did exercise a borrowing power before we had any power to do it, but we have not done so since, for the simple reason that there is a scarcity of securities at the present time, and therefore we cannot get rid of more money, but as soon as business increases we shall exercise the power given to us by the rule.

4337. Do you know how much money you borrowed before you had the power to do it?—I think that we had a standing loan at our bankers of 3,000*l.* or 4,000*l.* The London and County Bank usually advances three months' subscriptions, whatever they are. With regard to borrowing powers generally, I think that in giving the society a power to borrow money it should have some limit in proportion to the then business of the society, or that it should be dealt with like the Land Securities' Act, that when we have deposited a sufficient amount of mortgages, we should then have borrowing powers to that extent.

4338. The borrowing which was done by the society was in the nature of a loan from the bankers?—Yes, entirely upon the personal security of the directors.

4339. It was not your practice to receive money on deposit?—Yes, we had money from time to time, but when all that money was paid out, and we could not get investments, we discouraged it. During the last three years there has been such a panic in the building trade that very little has been doing in the way of house property.

4340. With regard to the question of borrowing powers, what is the exact limit which you would propose to them?—To some extent I should leave that in the power of the members at a general meeting. I think that the members at a general meeting should have the power of fixing it within certain limits.

4341. Then you would not lay down in an Act of Parliament any limit to borrowing powers?—No; I should rather let it be done by the rules of the society, to be submitted to the Registrar. As you will see, I refer to that point in my paper, and say that the rules shall provide certain things. For instance, I should not permit societies of the nature of the Bowkett societies to borrow, nor should I allow the alternate ballot and sale societies to borrow, although I know that many of them are very anxious to have that power.

4342. In your bill you say that the rules may provide that?—Yes, and I should say that if the rules do not provide it the society should not have the power. Many things may be applicable to one class of society and not to another.

4343. What, in your view, are exactly the proper restrictions which should be adopted?—That in a great measure would depend upon the nature of the society. What might suit one district in London would not suit another district. For instance, we will take a society at the west end of London; for everything that they do they require more money than a society at the east end, and the class of members is very frequently different. As an evidence of that, during the time of the panic I had a society in Walworth Road where members paid their subscriptions in advance. In another society in the northern part of London an immense number of members gave notice to withdraw. The members of societies vary very much even in London, according to locality. I have, I think, societies in all parts of London, and I used very frequently to attend their meetings in the evening, more than I do now, and I had an opportunity of observing that they vary very much according to the condition of the society, and according to the condition of the members.

4344. Then you cannot express any general opinion as to the necessary restrictions?—No, I think that it should depend upon circumstances.

4345. I think that you stated something as to a difference of opinion between your views upon the question of registration and the proposals in Mr. Gourley's bill?—Yes. Mr. Gourley's bill says that the rules are to be binding so far as they are in conformity with law. That is the same as under the old Act, or at any rate under the decisions upon it. I think that whatever is submitted to the office should, if certified, be absolutely binding, and that the office of a certifying barrister should be one which has duties to perform, instead of going through the rules and sending one copy to the clerk of the peace, and another to the society, and having no record in his own office. You may send a rule one day, and it is certified; and upon another day you may send another rule, and it is refused. It was frequently so in the latter part of Mr. Tidd Pratt's days.

4346. Would you provide that the certificate of the barrister should be conclusive as to the legality of the rules?—Yes.

4347. That is, I think, not the case at present?—No, the rules are only binding so far as they are in accordance with law.

4348. You began to state some objections to the proposal in the bill as to the mode in which the barrister should give his certificate?—That is clause 12; that is as to the rules being binding.

4349. The proposal in the bill rather is that the rules are to contain certain matters, and that the registrar simply is to certify them as containing those matters?—Yes.

4350. But it appears to me to leave very little discretion in any other way?—That very clause itself produces great doubt and uncertainty; it is sometimes matter of professional difficulty. If persons have a rule which they do not like, they say, "That is not in accordance with law." If the certifying barrister is competent for the office, the rules which he certifies should in my opinion be absolutely binding upon the members, and I have thought so for many years. It is not an opinion expressed at the moment, but I have a strong opinion upon that point. If it was so, the certifying barrister, I believe, would be more careful as to what he did certify; he would know that he was the absolute judge.

4351. What is your opinion as to the position of minors and married woman with reference to these societies?—So far as investing members of societies are concerned, I think that minors and married women might be members, the same as they are members of savings' banks. But in the Bowkett societies, if a minor is a member, and an appropriation comes, the question is what is to be done with it, and there is great doubt and uncertainty. We met Mr. Tidd Pratt several times about 1863 or 1864, and nobody could come to a satisfactory determination upon the matter. I think that minors should take investing shares, but that if minors take shares in the Bowkett societies, or societies of that nature, in case of their having an appropriation, that appropriation should be postponed until they become of age.

4352. Do you think that it should be balloted for again?—Yes. Most of the societies have a rule that if a member does not require an appropriation he may give it up to the society, and then at a future time he may elect to take it next after a subsequent meeting for appropriation. But I think that the bill should provide that minors cannot hold or purchase property; that would dispose in a great measure of the difficulty with regard to their expecting it, and joining the society under that anticipation. Some people will be deceived, but if there was a distinct enactment of that kind it would prevent any possibility of deception.

4353. How does your society act with reference to the security upon which it advances money; are its operations entirely confined to freehold security, or does it take any collateral security of any kind?—I am solicitor to about 20 societies. If you refer to the one society which I have mentioned I never take



Mr. T. F.  
Peacock.  
Rev. T. Thomas.  
31 Mar. 1871.

collateral security, and I am always opposed to it until we have the power. I could point out numbers of instances where it would be desirable; many a man would have the ability to purchase a house if he had that power. Sometimes the amount is within so little that you would be safe if you went over the first few months' subscriptions.

4354. What kind of collateral security should you recommend?—Up to a certain amount the bond of one or two persons.

4355. Personal security?—Yes, and another valuable sort of security I think would be that of a policy of insurance. If you get a policy of insurance for the first six or twelve months, if the member dies in the meantime there is the money to provide for it.

4356. Suppose that the insurance office at death for any reason refused to pay the policy?—I am assuming now that these policies would be legalized by the Act of Parliament.

4357. But cases occur, such as cases of suicide, and so on, in which for various reasons the insurance office on the death of a man declines to pay the policy?—The society would take policies which would be absolutely payable; they would not take a policy of the nature which you refer to. Following the plan of the Policies of Insurance Act, a very short form of security might be taken.

4358. Do you not think that there would be considerable danger to societies in taking these collateral securities?—In many instances I think that it would be very beneficial. It might be abused, but I think not to the extent to which it would be beneficial to the members and to the society. Taking the two considerations together, I think that the balance would be in favour of taking the collateral security.

4359. Would you be disposed to lay down a rule that the collateral security should bear a certain proportion to the other security? I refer to a collateral security of any sort, whether mere personal security or the security of a policy of insurance?—Yes, I think that it should be limited, so much so that I should be inclined to limit the amount of the personal security.

4360. Has any limit occurred to you?—I should take a limit equal to about 12 months' repayments. There is another point with respect to my views on the same question, namely, that in some societies it would be desirable to have a special rate, so that the mortgages should actually cease upon death; of course it would be an increased rate.

4361. I think that you have some observations to make with reference to the Middlesex registry?—Yes, they would equally apply to the registry at York. They are the only two counties where there is such a registry. There is a bill before Parliament to abolish the Middlesex registry. The estate vested in the trustees is re-vested in the member by the indorsement by them on the mortgage of the statutory receipt, a form of which is given in the Building Societies' Act. In Middlesex and York it does not clear the title, but it is necessary to have the entry of "satisfied" at the Middlesex registry, and the mode of doing it is by a certificate of discharge signed by the trustees. It has to be signed in the presence of two witnesses, and those two witnesses have to attend at the Middlesex registry and take a form of oath. I have had many instances in which I have spent double the money that I have received for preparing the documents, and besides that I have lost in one case 28 hours, myself and clerk, in procuring these signatures. I would recommend in lieu of that, and which would afford every security, that upon the statutory receipt being presented to the proper officer at the Middlesex registry, witnessed by the solicitor and signed by the secretary, he should then enter in the books "satisfied," and should receive a small fee for it. I think that I have mentioned in my heads of bill a fee of 5s. Many members decline to have this entry of satisfaction at the time when it is required, and perhaps three years afterwards they come and want it. Its absence is a defect in the title, and then it costs a considerable sum of money. Besides that, I think that it is more than

is required. I think that there will be no fear of any miscarriage of justice, or negligence, in doing what I propose.

4362. Have you noticed the provisions of Mr. Gourley's bill in reference to arbitration?—My opinion upon arbitration is different to his as appearing in this bill. If the principal points of difference arising upon any question of a mortgage, or the rules, or any points in difference could not be settled by the arbitrator, I would make the certifying barrister a sort of final court of appeal, and I would allow him to settle all differences of that kind. I think that in many instances the parties themselves who differ would prefer, if they could do so at a moderate expense, to state their case at the office, and it would then be easily settled, and you would have a tribunal competent to deal with the question.

4363. Would you make arbitration compulsory?—Yes, in all cases, assuming that that was the court to which it should go. I do not think that the justices are a good tribunal for that purpose.

4364. The county court, I think, is proposed by Mr. Gourley's bill?—Yes. Many instances occur with regard to building societies, in which any person acquainted with such societies would have no difficulty in settling the question in a very short time, to the satisfaction, in most cases, of all parties, if they understood it. These little matters are those which most frequently arise, and I think that the certifying barrister would be the best person to deal with those questions; he is accustomed to the rules; he at once understands their bearing upon the question, and the mode of doing business, and I think that he would form the best tribunal.

4365. Does that opinion apply only to questions relating to mortgage deeds, and the winding-up of societies?—Any questions arising between the members and the officers. Questions frequently arise between the members and the board of management.

4366. You would exclude the jurisdiction of the courts altogether?—I would.

4367. A question would arise then, assuming that the office in Abingdon Street was the sole court, how you would deal with country cases?—I think that the registrar should have power to make rules himself as to how he would conduct his country business.

4368. (*To Rev. T. Thomas.*) What is your opinion upon that point?—I know very few cases where arbitration has been required.

4369. (*Mr. Peacock.*) I will give you one instance which is in the books. It was in the case of an alternate ballot and sale society. There was some dispute between the society and the member, and the result was that the mortgagor filed a bill to redeem, and the vice-chancellor (I believe it was Vice-Chancellor Malins) said that both parties were wrong, and that it was a dispute which never ought to have come into court, as there were only a few shillings involved; he allowed the mortgagor to redeem at the price which he wanted, but made each party pay their own costs. That was a case which I am quite certain that the office could have settled in half an hour. When I read it, I was surprised to find that anybody could raise a squabble upon the point. It is a difficulty which is constantly occurring, but it would be very soon settled by a person who was competent to deal with the question.

4370. Have you noticed the clause in Mr. Gourley's bill, providing for the dissolution of a society, and if so, what are your opinions upon that point?—I think, speaking from memory, that clause 29 for the winding-up of a society is really the same as that in the Joint Stock Companies' Act. With regard to the winding-up, I think that that is a business which will be better done under the supervision of the certifying barrister. If you want to incorporate a society, you must go to the certifying barrister, who has to govern you to start with; and if it is necessary to wind up, I think that the office of the certifying barrister should settle the terms.

4371. With reference to the amalgamation of different

societies, what is your opinion of?—I think that the power of amalgamation is very desirable. I am now solicitor to two societies, and I believe that I am to be appointed to a third society, as the solicitor has resigned, and that is a case in which three societies are doing very little business. The three societies could easily arrange the terms of amalgamation; and I think that in most cases the amalgamation would be best left to the societies themselves. I so far agree with this bill. In case of any dispute upon amalgamation, I think that it would be very convenient to refer the matter in dispute to the certifying barrister.

4371a. Is there any other point in Mr. Gourley's bill upon which you have anything to say?—I have only one other head upon my letter, and that is the word "legislation." I think that an Act of Parliament to be passed should be complete in itself, that is to say, should have no reference to any other Act of Parliament whatever, even although it makes the bill a little longer; if it is necessary to refer to any Act of Parliament, I think that the section should be taken out and distinctly put into the Building Societies' Act. At the present time a clause is inserted in the Married Women's Property Act which is exceedingly inconvenient to deal with. I have had, I think, in connection with Building Societies, to consider this clause every day for something like a fortnight, and different points arising upon it have produced a great amount of difficulty. The 5th section of the Married Women's Property Act (which is the 33rd and 34th of Victoria, chapter 93,) says that "Any married woman, or any woman about to be married, may apply in writing to the committee of management of any industrial and provident society, or to the trustees of any friendly society, benefit building society, or loan society, duly registered, certified, or enrolled under the Acts relating to such societies respectively, that any share, benefit, debenture, right or claim whatsoever in, to, or upon the funds of such society, to the holding of which share, benefit, or debenture no liability is attached, and to which the woman so applying is entitled, may be entered in the books of the society in the name or intended name of the woman as a married woman entitled to her separate use." Now that raises a very important question; what I believe to have been the intention of the legislature was, that it should simply be an investing share, but married ladies want to use it for borrowing. I have had two or three cases of that kind. I think that in the new bill this clause should be repealed, and that anything in connexion with building societies should be inserted in the new Act of Parliament itself.

4372. How would you alter that provision?—To a great extent I should be inclined to repeal it altogether. The only way in which I should allow married women to have shares in building societies would be in the same way as in savings' banks, namely, that they may place their money there; but that if the husband gives notice it shall not be paid out to the wife. It is always liable to the husband saying that this is money which the wife has used improperly; perhaps it was money which she had for house-keeping, and he comes to find it out, and he goes to the court, and it is ordered to be returned to him. It will soon create a good deal of dispute amongst building societies' people.

4373. You would limit the wife's powers?—Yes; that is to say, her legal power. I would not say her natural duties.

4374. There are other points in the paper which you have laid before us. I see that the object for which societies may be formed is not stated in the same words as those in which it is stated in Mr. Gourley's bill?—No; taking the second section of my bill, I deal with the land question more fully than is done by Mr. Gourley's bill.

4375. It is with a view to giving greater power with reference to land?—Yes.

4376. You provide for the appointment of separate registrars for England, Ireland, and Scotland?—Yes.

4377. And that the registrar should certify the rules and alterations of rules upon a fee of one guinea?—Yes.

4378. And that his certificate should be final and without appeal?—Yes, and we both agree upon the question of the appointment of trustees. It is very important that that should be done. There is another point which has not been dealt with, and that is as to nomination.

4379. In section 11?—Yes.

4380. You propose that in the case of the death of a member leaving in the society a sum not exceeding 150*l.*, he before death should have the power to nominate a person to receive it?—Yes.

4381. Mr. Gourley's bill in clause 27 provides that the limit which you fix at 150*l.* should be 50*l.*?—Yes.

4382. What is your opinion of the necessity for the difference?—I think that the 150*l.* was put in as a kind of limit to the value of the shares. Many societies put the value of their shares at 150*l.* It would be equal in many societies to one share, which would produce 150*l.*

4383. Does not clause 27 of Mr. Gourley's bill come from the Friendly Societies' Act?—Yes, the 18th and 19th Victoria. There is another reason for the larger amount, namely, that for 100*l.* there is no probate duty. If you were to take 100*l.* instead of 150*l.* no question would arise upon it, so far as duty is concerned.

4384. Is there any reason why, if it is 50*l.* for friendly societies, it should be 150*l.* for building societies?—I am rather inclined to think that the class of people connected with building societies invest larger sums than men do in friendly societies.

4385. You mean that they would be in a better position?—In a little better position; it is difficult to define the scale, but there is a slight difference.

4386. Then you further go on to propose that payments to persons appearing to be next of kin to a deceased member without nomination shall be valid?—Yes. That is taken from the old clause of the 10th George the Fourth. That is also in the 27th clause of Mr. Gourley's bill. At the present moment there is a rule for 20*l.* in nearly all the societies, and that is quite in accordance with law. I say 50*l.*

4387. There is one point still remaining, namely, the limitation of the responsibility of trustees and officers?—Yes. I think that trustees should only be liable for their own acts. I think the provisions of the Real Property Acts would be quite sufficient. There is clause 26 in Mr. Gourley's bill, which says that "no trustee of any society under this Act shall be liable to make good any deficiency in the funds of the society, but shall be liable only for the moneys actually received by him on account of the society."

4388. In your experience, do the trustees take an active part in the business of the society? For instance, it is their duty, I suppose, to sign the various documents of the society of which they are supposed to be trustees?—It is not the practice for mortgagees, which the trustees in the case of a building society would be, to sign the mortgage, and there is no necessity for it. The trustees sign the statutory receipts, and as a general rule they take possession by holding the keys of the box in which the deeds are placed; they are placed in a box at the bankers'. As to the trustees actually taking an active part, it depends entirely upon circumstances. As a general rule I should say that they did so. In some cases the trustees do not perform any duties, and their duties are performed by the board of management. I know many instances where the members would not be satisfied unless the trustees did take part, that is to say, in the Bowkett societies, and that class of society.

4389. What would be your opinion as to a provision under which building societies might be incorporated? My question supposes that, instead of having this separate legislation for building societies, and having trustees, they were incorporated?—I do not think that there would be any objection. In that case

Mr. T. F.  
Peacock.  
Rev. T. Thomas.

31 Mar. 1871.



*Mr. T. F.  
Peacock.  
Rev. T. Thomas.*  
31 Mar. 1871.

they would be incorporated under their name, and the board of management would perform the duties of the trustees. I do not think that there would be any practical difficulty. It would create an innovation, and it might cause some little alarm among the members of building societies.

4390. (*To Rev. T. Thomas.*) Referring to Mr. Peacock's answers on the question of nomination, what is your opinion upon that point?—I am of opinion that it would be very beneficial that Mr. Peacock's proposal should be carried out.

4391. Why?—In one of our Landore societies we had several widows who were not in circumstances to administer to the effects of their husbands, they were too poor to do so, and we were not at liberty to pay over the money due to their husbands to the widows or any of their children, on account of the deficiency of administration, and we were in a regular fix in consequence, we did not know what to do.

4392. What was the general amount?—About 70*l*.

4393. Was it in all cases under 100*l*?—Yes.

4394. (*Mr. Richards, to Mr. Peacock.*) In giving power to land societies as they are constituted under the bill to purchase land, it would be giving a power which building societies do not now possess, would it not?—They do not possess it, but at the same time they exercise that power.

4395. But building societies have no power to buy houses?—Not by the Act of Parliament, nor by the rules.

4396. Nor in practice. Members buy houses, but societies *qua* societies do not buy houses, do they?—No, they do not buy houses, but it is patent to the world that land societies have carried on their business under the title of building societies.

4397. But still it would be giving powers which are not exercised at the present time?—Not properly exercised.

4398. Out of what funds would you give them power to buy land?—Out of the general funds of the society.

4399. Subscribed or borrowed?—Either, as the case may be. In some instances they would use the funds which they had already got, and they might borrow some portion.

4400. Assuming that a land society was established, and that before 12 months had passed it was determined to buy an estate of 20 times the amount of the subscriptions received, would you allow that society to borrow money without limit for the purpose of buying the estate?—No; I think that the members should limit their own liability at a meeting.

4401. Should it be merely by a vote of the members then present, or would you fix it in a rule before the rule was certified?—I should say that the rules should provide for certain things, and amongst others that.

4402. Can you give us any indication as to what you think would be a safe limit to be inserted in the rule, having regard to the amount of subscription?—No, I think that that is more a question which belongs to the managers of the societies than to the solicitor.

4403. Then you would, in point of fact, entrust to the manager of the society unlimited power?—No; but I think that that question is one which the manager of a society could better answer than myself.

4404. Would you give the power entirely to the directors, subject to confirmation by a meeting?—No, I should give it to the meeting itself, inasmuch as that meeting if not satisfied could meet again.

4405. What proportion of the total number should you take as requisite to be assenting parties?—I think that in a case of that kind I should take one-half of the members.

4406. I gather from your answers to the chairman that you are very decidedly in favour of continuing the office of registrar, or certifying barrister?—Yes, excepting that I would define his powers more, and I would make him to a certain extent into a court for the government of building societies.

4407. Then you would enlarge the scope of the office rather than abolish the office altogether?—Yes.

As it exists at the present time I should abolish it, but according to my idea I should enlarge the powers.

4408. But from your experience of the advantages of rules being certified, and the good effect which might be worked out by fresh duties being imposed upon such an officer, you think that the maintenance of the office in an amended form would be a public advantage?—I do.

4409. In the societies with which you are connected, have the tables been prepared by any actuary?—I believe that they have, but I could not positively answer that question. I did not prepare them myself. In the society to which I have specially referred, they have been perused for the purposes of acceptance, and so far approved of; and I am satisfied of their correctness because we have tested them by experience.

4410. In addition to certifying the rules, would you think it desirable that the office of the certifying barrister should also certify the tables?—I think that that would impose too great an expense. I think that I should leave that to the societies themselves, as to whether they would have them settled by an actuary or not.

4411. I understand you to convey a very strong opinion that you would have no incorporated Acts of Parliament at all in any future Act?—Yes, I think that the Act should be complete in itself.

4412. With the object, I presume, that every member would be able to read the Act of Parliament?—Yes, and that he should understand it, as far as a man can understand an Act of Parliament. If the Act of Parliament is complete in itself, and has no reference to anything else, I think that it will be better understood.

4413. Do you think that there would be any practical difficulty in the office of the certifying barrister dealing with the whole of the disputed cases which arise throughout the country?—I think that the certifying barrister would be able to frame rules, if a question arose beyond his own limits.

4414. Then you would leave him to do what was necessary for carrying into effect the objects of the Act of Parliament?—Quite so.

4415. (*Mr. Bonham-Carter.*) I think that your view is, that whatever certificate it was finally settled that the registrar should give should be conclusive as to legality?—Quite so.

4416. In answer to Mr. Richards, you said that you would not allow him to go into the question of the sufficiency of the tables?—I think that to make the office do that would be such an expensive affair that it would almost in effect stop new societies.

4417. If you made his decision conclusive as to legality, but left open the question of the sufficiency of the tables, would not it be liable to the same evil which is stated in many cases to have arisen with regard to friendly societies, namely, that being conclusively legal in one case, it would be held by the public to be conclusively legal in the other case?—I do not think that the public would be really deceived in the mode in which you put it, because members as a rule look more to the money question, and what they are likely to get, than to any other portion. For instance, there is a clause now inserted in most of the Star-Bowkett rules, that no member shall withdraw in the first five years.

4418. When you state that they look at what they are likely to get, do you consider that the majority of the members of these societies are competent judges of the arithmetical ground upon which the calculation is based?—No, very few of them are; I do not think that I am myself a competent judge of that, but at the same time I can form a pretty correct estimate as to whether it would answer the purpose for which it was intended, and I think that any ordinary person could do the same.

4419. You have considerable experience of rules having been sent to the registrar, and having been returned several times with certain disallowances, which rules were afterwards allowed?—Yes.

4420. Would not it be possible that the same sort of

procedure might take place hereafter, and that one decision, if the rules were absolutely legalised, might differ with another decision?—I think not, and for this reason; as I contemplate the office of the registrar or certifying barrister, he would have in his own custody a record of what he had previously passed, and he would be somewhat bound by precedent. He would not say, "That is my opinion to-day, and something else may be my opinion to-morrow." Formerly he had a sort of general principle in his own head, but had nothing to refer to.

4421. Do you think that it would be possible to reduce the societies which are practically in existence to three or four forms, which might be well considered, and to which it might be rendered obligatory that the intended societies should conform?—So far as my experience of building societies goes, a member joins upon some fancied scheme of his own, and he carries a number of members with him; they have a certain way of thinking, and they start their societies, and amongst themselves they succeed very well. If you put those same men together, as members of another building society upon a different principle, they disagree entirely. I think that what I call the principle of the society is better left to the promoters themselves.

4422. Is there not this to be feared, that if you invest a particular department, presided over by a single head, with the power of absolutely legalising rules which vary in a great many small details, you may involve the government in the same sort of liability which certainly did accrue with regard to savings banks in former days, and which to a certain extent is supposed to exist with regard to friendly societies?—What we want in building societies is one place to which we can go, where everything is settled by one man; and inasmuch as the matters generally speaking are small, I would make the decisions of that one man final. If you have another tribunal to appeal to, it only promotes litigation. According to my idea it should be a cheap court, and a court which would not have much difficulty in the way of procedure.

4423. You speak of it as a cheap court. I was rather referring to the original rules, and I was asking you whether, if you gave a department presided over by one man an absolute power of making rules legal, you would not be creating in the persons who acted under those rules a claim upon the government, if those rules led to misfortune?—It is very possible that the members themselves might have some claim, or might think that they had some claim, upon the government, but I should not think so. I believe that it would be the best thing for building societies.

4424. You have mentioned that in several directions you think restrictions are desirable?—Yes, those restrictions should be in the formation of the society, and should be expressed in the rules.

4425. You would limit the range of business and the interest of individuals to a certain extent?—I should limit the range of one portion of their business by their position in another way.

4426. You mentioned that one of your societies fulfilled what you believed to have been contemplated by the original Act of Parliament?—Yes.

4427. But you inferred, and I think you as much as said, that a good many building societies in your opinion had exceeded what was originally contemplated?—Yes, that is the result of my experience.

4428. That is to say that they have evaded what were intended to be restrictions?—I do not think that they have wilfully evaded them. For some years people did not really know what they had to do, and some people entertained the notion that whatever the Building Societies' Act did not prohibit they were entitled to do.

4429. Supposing that you created restrictions, would you make the court which you have recommended the court in which any evasion of those restrictions should be prosecuted?—Yes.

4430. Supposing that a restriction which was in the interest of the government, but which was not in the interest either of the members or of the society, was

evaded, how would you deal with it?—I do not know how the interests of the government would be affected, except in the imposition of taxes, and in that case I do not myself think that it would be improper to give that officer the power of dealing with the question.

4431. Are the exemptions which the government grants so far as regards taxation sufficiently important to make it worth while for restrictions to be imposed in respect of them, and for any inconvenience to attach to the societies?—I do not quite understand the question.

4432. If you make restrictions on behalf of the government with regard to taxation, there ought to be some means of dealing with the evasions or breaches of those restrictions, in the interest of the government?—Yes.

4433. You would not propose that there should be a public prosecutor in such cases?—No.

4434. But still you have stated that it is very undesirable that any Act of Parliament should contain restrictions which are habitually evaded, or which are likely to be evaded?—Yes.

4434. If you are to create a restriction which it is in the interest of, or natural to, the members of these societies to evade, as regards the exemption from taxation, would it not be better to get rid of the exemption altogether?—Decidedly.

4436. Is the present exemption sufficiently important in the case of these societies to make it worth while to continue it?—I think so. I think that the imposition of a tax upon these societies has a material effect upon their influence in certain cases, and it is in the small cases. I do not think that where you get to the large amounts, in the cases of the better class of people, the question is affected at all. At the present time the mortgage duty is not large, but as the law now stands building societies' mortgages pay a greater stamp duty than any other mortgages, because the section of the Act which imposes stamp duty did not do as the ordinary Stamp Act does. You pay under the building societies' mortgages upon the amount to be repaid, and not upon the amount advanced, which is ordinarily the case. Consequently, upon the building societies' mortgages, if you pay any stamp duty, you pay more than in the other cases. Now, I think that if any stamp duty at all is imposed, it should be something less than the ordinary duty; say that in all mortgages where the amount to be advanced is under 500*l.* the duty should be 6*d.* per 100*l.*, and that would have a great effect upon the members. Yesterday, upon an advance of 400*l.* there was an imposition of 15*s.* stamp. That man is getting all his moneys together by shillings, and the difference of 18*s.*, between the 15*s.* and the 2*s.* which I should have imposed would have been of immense advantage to that man.

4437. Taking the case of exceeding the powers of borrowing, which might be in the interest both of members and of societies, how would you meet such a case as that?—Dealing with it as I should do, any member might apply to the office, and that would at once give to the government officer power to check the abuse of their authority by the officers of the society.

4438. You mentioned with regard to minors, that you would not allow them to take appropriation shares, and that they should not invest in them until they were 21?—Yes.

4439. Would you put any lower limit at which minors might be admitted, say that they should not be admitted below 14 or 16?—I think that that would be desirable, although I have not referred to that question.

4440. Supposing that an apprentice wishes to invest, you would not check his investment?—I would not check his saving in any way. It sometimes creates a difficulty, for parents are very fond of putting in money for all their children; if a child is only 12 months old, they will take a share for him, but the fact is that the shares which they take in their children's names are really for themselves.

Mr. T. F.  
Peacock.  
Rev. T. Thomas.  
31 Mar. 1871.



*Mr. T. F.  
Peacock.  
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31 Mar. 1871.

4441. Supposing that the original intention of the legislature was that earnings by persons of a certain class should be invested for their benefit in enabling them to buy a house, would you think it desirable that minors should be restricted to some age which should bring them within the earning class?—Hardly so, because I think that if parents, or others, are desirous of investing for the benefit of children they should not be prevented from doing so. The simple deposit of money by way of saving must be beneficial taken in any shape, and especially of small sums.

4442. You would treat these investments as the legislature treats savings' banks?—Yes.

4443. (*Mr. Richards, to Rev. T. Thomas.*) You said, I think, that you have had a great deal of experience in building societies in the neighbourhood of Swansea?—I have.

4444. And you have founded what are known as the Landore societies?—Yes.

4445. Are those societies permanent societies or terminating?—They are terminating.

4446. How many years is it expected that each society will last?—11½ years, that is for the first and second Landore, but the third Landore is calculated to last 12 years and 3 months.

4447. Is that time calculated upon actual data worked out?—Yes, by tables prepared by myself.

4448. The tables have been verified by experience in the first Landore, have they not?—They have.

4449. And they have worked out according to anticipation?—Yes.

4450. What is the amount of each share?—70*l*.

4451. What is the amount paid before you allow any borrowing?—7*s*. 6*d*. per month.

4452. Have you any limit of subscription before shareholders are allowed to borrow at all?—Two years' subscriptions; they must subscribe for two years, or pay an equivalent sum, before they can borrow at all.

4453. What is the amount paid in by each subscriber before borrowing?—9*l*., two years at 7*s*. 6*d*. per month.

4454. Then the subscription is 7*s*. 6*d*. a month previous to borrowing?—Yes.

4455. And how much after borrowing?—13*s*. 6*d*.

4456. Do you advance the full amount of 70*l*?—Yes.

4457. And you do not by your rules allow any premium to be taken?—Not any.

4458. Either by the society itself in addition to its own funds, or by any shareholder?—Not by the society, nor by any shareholder.

4459. Then it would not be possible, as in the Bowkett societies and other societies, for a shareholder to have the power of borrowing, and to transfer that power to another member?—No, they are obliged to do all the transaction through the officers of the society.

4460. And if a member elects to borrow he must accept the money?—He must accept the money, or inform the officers that he is not desirous of getting out his share.

4461. He cannot transfer that money to another shareholder?—No.

4462. What security do you think it necessary to take for 70*l*?—We consider that the house ought to be worth about 85*l*., when we advance 70*l*.

4463. You advance the ordinary amount of two-thirds?—Yes.

4464. Do you allow any deductions in any way from the 70*l*?—Not any.

4465. Not the solicitor's fees?—The member has to pay the solicitor.

4466. Are the fees to be paid to the solicitor defined in the rules?—I am not positive whether they are defined for the first and second societies, but for the third they are.

4467. Can you tell us what the fees are?—The solicitor's fee is 1*l*. 10*s*. for a single share, and another 10*s*. for every additional share, or part of a share, included in the same deed.

4468. What fee is charged for the surveyor?—4*s*. for a single journey, and 8*s*. for two journeys, within a radius of six miles. It is supposed that the surveyor inspects the property twice; the first time when under cover, and the second time at the completion.

4469. Upon what rate of interest are your tables based?—Five per cent.

4470. Is that five per cent. charged to the borrower by your table, as well as paid to the investor?—Yes, we charge the borrower five per cent. simple interest, which of course, paid monthly, accumulates at a monthly compound interest to the investor.

4471. Then I understand you to say that the tables are calculated upon paying five per cent. interest to the investor, and that the borrower also pays five per cent. upon the advance made to him?—Exactly so.

4472. Are there any premiums at all allowed in your society in any form?—Not any.

4473. Am I right in supposing that your tables are so calculated that they by experience have balanced themselves, and that the members investing have received five per cent. for their money without any bonus, and that the borrowers have paid five per cent. for their loans?—Exactly so. The borrowers pay five per cent. interest into the society monthly, that monthly payment becomes a capital every month and produces interest, compounded monthly to the investor, which at the termination of the society produces 70*l*. to the investor, by the time that the borrower is able to refund his 70*l*. borrowed.

4474. Do you allow members to transfer their shares to members in any way?—We allow them to transfer their shares both before and after borrowing, but not independently of the office of the society; they are not allowed to take out shares and to dispose of their shares to whomsoever they like.

4475. How are the expenses incidental to the society provided?—The incidental expenses are provided for by what we call postage money, 6*d*. per share in each year. The secretaries are paid by the members, and not out of the funds of the society. The secretaries are paid 2*s*. per share per annum.

4476. Is there any other paid officer?—The treasurer is paid 4*l*. 10*s*. per annum out of the funds of the society.

4477. Is there any payment to the directors?—The chairman and the directors do their work gratuitously.

4478. And there is no payment to them?—None whatever.

4479. Then the only paid officers in your society are the secretary, who is paid by an annual subscription by the shareholders, and the treasurer, who is paid 4*l*. 10*s*. out of the funds of the society?—That is the whole.

4480. Have you any trustees?—We have.

4481. Are the trustees merely ornamental, or do they perform any duties in connexion with the society?—We generally get three of the trustees to sign the mortgage deeds. The solicitor has to do with some three of them with regard to the depositing of the deeds, and also when the deeds are returned at the close of the society to the borrowing members, the trustees have to sign the statutory receipts.

4482. Does your experience lead you to believe that the fact of trustees being named has a beneficial effect in inducing greater confidence in the minds of members?—I am not prepared to prove that it has done so.

4483. Then why have you thought it necessary to insert the names of any trustees in your prospectus?—The trustees whom we have appointed are gentlemen well known in the neighbourhood, and I should say that it has some influence on the public, by producing confidence in our proceedings, when they see gentlemen of means connected with our societies as trustees.

4484. Then you consider that it has a beneficial effect?—I believe that it has, to some extent.

4485. In the general management of your society in whose custody are the deeds kept?—The deeds are locked up in a box and placed in the bank.

4486. Who has power to deal with them?—Three

trustees appointed by the directors. There are three different keys to the box, and one is held by each of the trustees.

4487. In your rules have you any power to borrow?—We have not.

4488. Do you think that the power to borrow money would be of advantage to building societies?—I do.

4489. Can you give us any reason for that opinion by experience?—Generally speaking, we find that there is a larger number of applicants for advances at the commencement of a building society, than after the society has been in existence for some years. Therefore the monthly subscription is quite inadequate to meet the demand. In order to meet the demand of members we have found it beneficial to borrow, although we had no power to borrow, and to repay the borrowed money when there should be no demand by members for money.

4490. In fact, in the earlier stages the demand is excessive, and in the later stages of the society the demand is not sufficient?—Exactly so.

4491. And to enable something like a mean to be arrived at, you think it desirable that societies should legally be enabled to borrow?—Yes.

4492. To what extent?—I am not prepared to specify any particular sum, but I should say that if they had power to borrow to the extent of one third of their total amount of subscriptions, it would be quite sufficient, if a smaller sum would not suffice.

4493. How do you reconcile that answer with your previous answer about the difficulties in the earlier stages of the society?—My opinion is, that no society should commence to advance money until there was a sufficient number of shares to make up one share at least in the first subscription meeting.

4494. Then having at the first subscription meeting advanced all the money which has been received up to that time, you will not be able to make another advance until the next meeting?—No.

4495. And then only one advance?—Yes, supposing that only a sufficient number of shares is taken up to produce one share.

4496. But supposing that there were three applicants you would only be enabled to deal with one?—Exactly so.

4497. I understand you to say that in your opinion it would be desirable that you should have power to borrow a certain sum, to enable you to advance to the three members requiring advances, and not confine your advance to one?—Exactly so.

4498. Then you would not be limiting it to one-third of your subscriptions by that, would you?—Not of the subscription for the month, but I am referring to the total amount to be realised by the society.

4499. Do you mean one-third of the value of the property to be secured to the society?—Supposing that a society should receive 30,000*l.* during 11 years, the borrowing power I think should not exceed 10,000*l.*

4500. Then I gather from your answer that you would allow one-third of the total amount of the subscriptions of the society during its whole period to be borrowed?—Yes.

4501. Do you think that that would be a safe regulation?—If the society be well conducted, I see no danger arising from it at all. It would not be advisable for any directors to borrow money until they saw the necessity of borrowing by the demand.

4502. Then would you leave it a mere question of demand and supply?—I would. It is quite possible that some societies may not require to borrow at all.

4503. Still holding to the rule which only allows you to advance two-thirds of the property secured to you?—Yes.

4504. You think that that would be a sufficient safeguard?—As far as I am able to judge I see no risk at all in it.

4505. Would you receive money or loans for a time, or would you allow deposits to be made of small sums, whenever it might be convenient to depositors to make

them?—We have not been in the habit of receiving deposits. We have borrowed money from individuals on our personal responsibility as directors.

4506. In future legislation do you think that it would be desirable to give that power?—I believe that it would.

4507. The habits of the people in your district are such that there is a large amount of small savings, I think, in the savings' banks of the district, is there not?—There is.

4508. Do you think that the ability to legally make deposits in building societies would divert some of the sums which are now deposited in savings' banks into a channel where five per cent. would be paid instead of  $3\frac{1}{2}$ ?—Very probably.

4509. And is it your opinion that building societies generally are so conducted that it would be desirable on the part of the legislature to encourage loans of that sort?—I am not prepared to answer further than my acquaintance with the locality in which I live. I believe that they are well conducted in the neighbourhood of Swansea, and that it would be perfectly safe to deposit moneys with them.

4510. There are, I think, some 27 or 30 building societies established in Swansea?—I believe that there are 30.

4511. Is the general character of those societies that of terminating societies?—They are all terminating societies, with the exception of one.

4512. Have you any experience of societies in which premiums are allowed to be paid by borrowers?—I had some experience, some 20 years ago, with regard to one society which was established upon that principle.

4513. Was that experience favourable to the continuance of the system?—It was not, so far as I was able to judge; that was my reason for starting the Landore Equitable Building Society upon a different principle.

4514. Do you think that the system of allowing societies to be conducted by the payment of premium without limit is desirable?—I am not at all favourable to their cultivation.

4515. Do you think that by legislation the system should be discouraged, or I will go so far as to say, prohibited?—My opinion is that a system of purchasing shares and compelling members to pay a heavy amount of premium is very much against the advantage of the working classes.

4516. Why do you say that?—Because, generally speaking, the working man has not much money at his command which he can employ for building a house, beyond the sum which he expects from a building society. Supposing that a share for the first year of the society being 120*l.* was discounted for 70*l.*, the borrower in the first year possibly might have to pay 17*l.* or 20*l.* by way of premium for the share of 70*l.*, which would reduce it by that amount, and put him into a position in which he would be quite unable to build his house.

4517. Is it not possible to work societies in such a way that members join societies of that description not with the intention of borrowing, but of pure investment?—There are many persons who join the societies with no intention whatever to borrow, but I consider that it is disadvantageous to all building societies to have a large number of investors—it is not a building society when we have so many people joining as investors, it is more of an investing society than a building society. My opinion is that all members who join building societies ought to join with the intention of becoming borrowers.

4518. In other words, you think that the system of societies being formed by men who merely establish them for the purpose of fees or for investments ought to be discouraged?—I do.

4519. What provisions are made in your rules for the purpose of redemption?—We allow members to redeem by paying up their full subscriptions to the calculated duration of the society; but should the society terminate some time earlier than the calculation, we engage to refund the difference between the actual termination

*Mr. T. F. Peacock.  
Rev. T. Thomas.*

31 Mar. 1871.



Mr. T. F.  
Peacock.  
Rev. T. Thomas.

31 Mar. 1871.

and the calculated termination upon which they redeem.

4520. In your experience in connexion with other building societies than your own, have you learnt that there is a difficulty in members redeeming?—I am not aware that we have met with any difficulty with regard to redeeming, but the difficulty generally is as to the length of time upon which a member can redeem. Societies which have been established without proper tables to govern them may say, "Now you must pay up for 13 years, or 14 years," or for a less time. And the members are not prepared to pay so much; but where there are fixed tables by which we can know nearly when a society will terminate, there is no difficulty at all in fixing upon the proper sum for a member to redeem.

4521. Are there many societies within your knowledge which conduct their business without established tables?—I am afraid that there are some, but I have not made particular inquiries whether they have tables or not.

4522. Are your accounts audited periodically?—They are audited every month by the directors, and at the end of every year by appointed auditors, before the reports are printed.

4523. Are your accounts published every year?—Regularly every year.

4524. Do you think it desirable, in any future legislation, that it should be incumbent on every society to publish its accounts annually?—I do.

4525. Do you think that it would be any hardship upon societies that they should be asked to make returns in a uniform schedule, which might be settled by Parliament?—I believe that it would be very advantageous.

4526. In what way?—Because I find that secretaries adopt different modes of making up their accounts. There is no uniformity whatever in the present state of things. When you read the report of one society, and read the report of another society, you find that the accounts are very different in the mode in which they are made up, and they are not very clear and very easy to be understood.

4527. Then whatever may be put in a report, you think that that is no sufficient guide to enable members to judge of their position?—No.

4528. Do you think that being assured by some such publication as I have indicated would have a material weight with working men to induce them to join societies?—I believe that it would.

4529. Do you believe that any large number of men are now deterred from putting their savings in building societies by the present uncertain mode of publication of accounts?—I believe that there are many who have not sufficient confidence in building societies to entrust their money to them. Why, I am not prepared to say, but I have met with a great many people who seem to have but very little confidence in building societies.

4530. Do you think that that want of confidence arises from the fact that the accounts are considered to be improperly conducted?—I am not prepared to say that it arises from that cause.

4531. In your general experience in your district, where there are large numbers of societies, do you think that the publication of accounts would lead to a more wholesome state of things?—I believe that it would.

4532. As regards payments to officials and the general conduct of those societies?—Yes. I believe that a general report, giving a correct statement of the manner in which the societies are conducted, and how much is paid to officers, with all particulars, would prove of very great advantage.

4533. So great, that you think that it would be desirable that in future legislation that sort of publication should be insisted upon?—Yes.

4534. Have you any other suggestion to make to the Commission?—I felt desirous of calling your attention to the principle of bidding for advances. I consider that it is far better, and that we are more

likely to do justice to members generally, by having advances given to members by ballot, rather than by public sale. I consider that the bidding principle is unsatisfactory, and that it is oppressive on the working man, who may have no money to lay out on building, other than that which he receives from the society. I have known instances where members have had to pay at one subscription meeting 177. 10s. each in the way of premium for their advances, and at the first or the second subscription meeting which followed advances of the same value were bought for 1s. each. Persons may attend these sales to bid against members who are in want of advances, in order to raise the premium, and although they have no intention to build they may take the advantage of buying when there are no bidders, at the minimum premium of 1s. per advance, so as to sell again for their own profit at a very much higher premium, to those of their fellow members whom they may know to be in want of advances. The impossibility of this system of bartering, in justice to all members of such a society, ought I think to be secured.

4535. Do you mean secured by positive legislative enactments?—By prohibiting the allotment of advances by public sale.

4536. Have you any other suggestion to make?—I consider that the directors ought to be empowered to lay out any money which they may have lying idle for want of borrowers, after paying off their debts, in some place of security upon interest, until it is required at the close of the society.

4537. Do you mean that they should have power to loan, or to purchase?—Not to purchase, but merely to lay it out upon interest in a bank, or in some place of safety, instead of having some thousands of pounds lying idle in the bank without a single fraction of interest upon it. We have found some difficulty with regard to the First Landore Society, which has caused me to make this suggestion. We had no less than 77½ investing shares of members who could not be induced upon any consideration whatever to withdraw, or borrow in order to build. This money accumulated to the amount of 5,442l. 10s. We had no power to lay out this money upon interest, and a very large sum of it lay idle in the bank; but inasmuch as we had started a Second Landore Society on the same principle, and conducted by the same officers, we lent a large portion of this money at five per cent. interest to the Second Landore Society.

4538. Although you considered that you travelled beyond your power by doing so?—We did.

4539. And you want legislative interference to legalise loans of that description?—Yes. We have received from the Second Landore Society no less than 321l. 8s. 11d. in the way of interest, and were it not for this our society would have lasted at least six weeks longer before it would have terminated.

4540. (Chairman.) In fact what you want is power to invest *bonâ fide* surplus funds?—Yes.

4541. You would not as, I understand you, include in "surplus funds" money which the directors might borrow upon loan?—Not at all.

4542. But still the payments of investing members?—Yes, the ordinary subscriptions.

4543. In the societies with which you are connected, when a member has been fortunate enough to obtain an advance by being successful in the ballot, is it ever the case that he parts with his right to his advance to another member of the society?—Not before he builds, but he is at liberty to transfer his interest in the property to another man, but this must be done through the officers of the society.

4544. Have no instances ever come under your notice in your society in which a member, having obtained the right, parts with it for a valuable consideration to another member, who is more anxious than himself for the advance?—He is not allowed to do so.

4545. Having obtained an advance, does the member ever part with that advance for a premium to another member?—No, it is impossible for him to do so. We

will not recognise any other man as being a member of the society, unless he is authorised to be a member by the officers of the society. Therefore the transaction must be through the officers.

4546. It could not take place without your knowledge?—No, it would be impossible.

4547. In your opinion have terminating societies been a success in your district?—They have.

4548. Would you prefer them to any other kind of building societies?—We have had only three permanent societies in the town and neighbourhood of Swansea. The first permanent society which was established failed. I am not prepared to say what was the cause of its failure. The second permanent society, namely, the First St. George, I believe has terminated. The third permanent society, namely, the Second St. George, is now in existence, and that is the only permanent society which we have. Of the 30 societies which are now in existence, all the others are terminating.

4549. Have not certain difficulties occurred to you in Swansea in connexion with terminating societies, which have occurred to other people in other parts of the kingdom?—It seems to me that the permanent societies are more suitable for large places such as Liverpool, Manchester, London, and very large towns, than for smaller places, because a permanent society must become a terminating society, if it does not get a sufficient number of new shareholders to fall in and to keep it up continually in order to retain its strength.

4550. Why cannot you obtain that number of new shareholders in Swansea?—I do not consider that our population is sufficient to keep it up; and further, the people, I believe, have greater confidence in terminating societies in our locality than in the permanent societies.

4551. What is the population of the district in which your societies work?—The population of the borough of Swansea is somewhere about 60,000. We have had at Swansea since the commencement somewhere about 60 building societies in all. Several of them have terminated, and there are now about 30 in existence.

4552. Are you aware how many houses have been built by these building societies?—I did all that I could to gain information upon that point before coming away, but I failed. The First Landore Society have had, I believe, 310 houses built by means of the society, and from the Second Landore Society, which has been in existence now for four years, I believe there are about 50 houses built. There are others established upon the same principle which have been doing a very large amount of business, but I am not prepared to say how many houses have been built through their means.

4553. Do you suppose that 2,000 or 3,000 houses have been built in that manner?—I should suppose so.

4554. In expressing your wish for a power to invest surplus funds, you spoke of the difficulty which the directors experienced in finding any investment for these funds during the later stage of the existence of a terminating society?—Yes.

4555. Must not that be always an objection to a terminating society?—I daresay that it is. I should not be surprised if all terminating societies met with that difficulty.

4556. In that respect a permanent society has an advantage?—It has in that respect. They generally offer a certain amount of bonus as an inducement for investing members to withdraw, and when they are not desirous to do so, there is a ballot month after month, and a certain amount is charged in the way of fine.

4557. If the directors were to invest that money it could only be in a very temporary manner, or otherwise they could not avail themselves of their funds in the event of members wishing to withdraw?—Exactly so.

4558. What is the practice of your societies with regard to withdrawals?—We generally allow members after the first year to withdraw, and allow them five per cent. simple interest per annum, besides the

amount of monthly subscriptions which they have paid into the society.

4559. What is the rate of fines in your societies for nonpayment of advances?—We charge 6d. on investors for the first month, 1s. for the second, and 1s. 6d. for the third, and an additional 6d. every month, until the sixth month. When they become borrowers, we charge them 1s. for the first month, 2s. for the second, 3s. for the third, 4s. for the fourth, and 5s. for the fifth.

4560. Do not those rates of fines on investors amount to 80 per cent. for the first month, 160 per cent. for the second, 240 for the third, 320 for the fourth, 400 for the fifth, and 480 for the sixth? Your rate of fine is double for advanced members what it is for investors, is it not?—Exactly, because they have to pay 13s. 6d. per month after they become borrowers, whereas they have only 7s. 6d. per month to pay when they are investors.

4561. Have I stated, or have I not, the correct percentage which investors have to pay as fines?—It is quite possible that you are right, but I have not made it out in that way.

4562. If that is the case in respect of investors, advanced members may have to pay as much as 960 per cent?—When once they are in debt for six months we give instructions to our solicitor to sell their property, under the regulations which are specified in the rules.

4563. Would it be the case that the per-centage of fines paid by borrowing members would be double that which is paid by investing members?—We consider that the society would suffer more from a borrowing member than from an investing member. An investing member may withdraw whenever he likes, but a borrowing member has had money from the society, and we have a claim upon the property. The object of the fine is to compel him to keep up his payments.

4564. Do you compel him to pay a double percentage?—We compel him to pay 1s. on 13s. 6d., and we compel an investor to pay 6d. on 7s. 6d.

4565. Then it is not so much as double?—No.

4566. How many of the members of your societies have had these fines inflicted upon them? Is it a frequent case?—Yes. We were compelled to sell only two leasehold properties during the existence of the First Landore Society.

4567. Was that after the infliction of fines or not?—It was after the infliction of fines.

4568. Was the society a loser in those cases or not?—No, the fine is more than sufficient to cover the loss by nonpayment.

4569. Then there was a profit upon the sale, which was handed over to the borrowers?—Yes.

4570. Would not temporary loans meet all your wishes with regard to borrowing powers, as far as terminating societies are concerned?—Yes. I believe that it ought to be by temporary loans.

4571. You have no wish to undertake a regular loan and deposit business, but what you wish is to be able to meet the views of your members, when in the early stages of your society so many of them apply for advances?—Exactly so.

4572. Could you not under the present law, and under your present system, obtain such temporary loans from your bankers?—We have had loans from our bankers, but generally speaking we are obliged to pay rather a high commission, which militates against the success of the society.

4573. What commission have you generally to pay?—I am not quite prepared to tell you what we have paid, but we have borrowed from the bankers at five per cent. We have had a loan of 1,000l. for the Second Landore Society, and I believe that we are now in their debt for 1,000l. which we have had at five per cent., but that has only been a late transaction.

4574. Was that loan made to the directors or to the society?—To the directors.

4575. On their personal liability?—Yes; my name is attached to the note which we have handed in.

4576. Have you not spoken of  $5\frac{1}{2}$  per cent. as the interest which you might pay on deposits?—Five per cent.

Mr. T. F.  
Peacock.  
Rev. T. Thomas.  
—  
31 Mar. 1871.



Mr. T. F.  
Peacock.  
Rev. T. Thomas.  
31 Mar. 1871.

4577. Then you would have to pay the same interest as that which you pay to your bankers?—Exactly; what we now pay to our bankers is five per cent, but we have been paying more.

4578. I meant in the event of your taking deposits from other parties?—Yes.

4579. Would you be able to obtain your money from depositors at a less rate than the bank?—I believe not; we could not get it at less than five per cent.

4580. Then what advantage would it be to the society to have power to take these deposits?—None whatever, provided we could get money from the bank; but as I have already said, this transaction of 1,000*l.* from the bank has been of very late date. We were not able to get money from the bank when we wanted it, and we were obliged to borrow from individuals upon our personal responsibility. We find no difficulty whatever in getting money from individuals outside; they constantly come and offer money.

4581. (*Mr. Richards.*) And you want the ability to take money in a legal form from those who desire to lend to you?—Exactly so.

4582. (*Chairman.*) Are the operations of your societies confined to the building of private houses?—Mostly.

4583. Is it ever the case that any building of a public nature has been erected by them, such as a chapel or a meeting hall?—No, we never advance any money except upon dwelling houses.

4584. Are the building societies in your district in any way connected with land societies?—I believe that the first and second permanent building societies were connected with land, but we have not a single terminating society connected with land.

4585. Is there any wish on the part of your societies to undertake that business?—Not any, so far as I am aware.

4586. (*To Mr. Peacock.*) Do you think that it would be in any way advisable to give, in addition to the powers of which you have spoken, a power to the certifying barrister to regulate the fines of the societies, and to restrict the power of sale?—With regard to the question of fine I think that there should be some modification, and that it should depend upon the nature of the society. At the present time, speaking from my experience, in a great majority of cases, although it has never been legally so determined, the fines in my opinion are excessive. In some classes of societies we find that the mere fact of the fines being what I call excessive has the effect of making the borrowers repay punctually. Although it may appear to be excessive, yet the fine being so heavy has the effect of causing punctual payments, and perhaps it is the only thing which would induce a member to make his payments punctually. Many people negligently forget to pay. In the case of private mortgages unpunctuality of payment would not so materially interfere, but in the working of a society it would, because we rely upon the moneys which we expect to receive every subscription night.

4587. But cases of misfortune might occur in which the infliction of such fines as those of which we have heard might be rather a serious objection?—In many cases the rules prescribe that the board of management shall in case of illness have power to forego the fines. Nearly all the societies now provide a rule of that description.

4588. (*Mr. Richards.*) And it is exercised?—Yes.

4589. (*Chairman, to Rev. T. Thomas.*) Is there such a rule in your societies?—We have not such a rule, but we have been acting upon that principle with regard to those persons who have been in difficulties.

4590. (*To Mr. Peacock.*) Would you give power to the certifying barrister as to the fines?—I would give him a power over the fines in this way, that in case of dispute the question would arise as to the fines being excessive, and then he would have the power of determining the question under certain limits, that is

to say, assuming that the question was raised within a certain time.

4591. You would not allow him to refuse to certify rules which contained fines above a certain amount?—No; for this reason, a member before he joins or borrows has an opportunity of seeing the rule, and he should decline to be a member of a society where he thought that it would be injurious.

4592. What is your opinion as to the power of sale in the event of the nonpayment of the contributions?—You must treat it as an ordinary mortgage transaction in the event of nonpayment; but the practice is always (and I think it the most merciful practice to the member) to bring the member to account after the second, or at least the third nonpayment. I find from experience that when a member is followed in that fashion, and is compelled to pay, or the society goes into the receipt of the rents and profits, in those cases where we at once act, the member either pays up, or he sells his equity and gets the benefit of it. If, on the other hand, the member is allowed to get into arrears, so that his equity gradually becomes of no value, that class of property is generally thrown on the hands of the society, and very likely they cannot sell it, and they are obliged to retain it in their own hands to prevent a loss. Upon many mortgages which we have in possession we shall ultimately realise our money, but if we had acted more promptly in the first instance we should have been paid at once, and the member would have got the benefit.

4593. You have spoken of the advantage of leaving the decision as to the amalgamation of societies, or as to the borrowing powers, with the members of the society?—Yes.

4594. In those answers did you refer to all the members, or only to the unadvanced members?—In the case of the permanent societies, I think that the question ought to be left with the unadvanced members; but in the case of the other societies, what are called the mutual societies, I think that it should be left to the whole of the members, because in those societies the borrowers generally speaking have as much interest as the investors, inasmuch as the share money is ultimately returned to them. In the case of permanent societies the borrowing member anticipates what he would get at the termination of his share.

4595. And in those cases you would leave the decision to the unadvanced members?—Yes.

4596. From your experience of a good many of these societies, is it within your knowledge that the directors of one society are arbitrators with regard to another society, or that there is any connexion of that sort between the officers of different societies?—I believe that as a general rule you select somebody because he is connected with other societies, or has a knowledge of them; but I believe that the arbitration clauses as a rule are rarely if ever exercised. I have had 10 years' experience of upwards of 20 societies, and I have never yet had an instance where the arbitrators have acted.

4597. Have any cases of alleged hardship or any grievances come under your notice in any way from that sort of intercommunion of officers?—Many questions arise, and in all my cases I have been able, either by letter or by attending the board meetings, to explain the rules, and so on, and I have never had a dispute yet. I believe that if the legal officer of the society will merely look at the thing and point it out when a question arises, there will scarcely ever be much, if any dispute.

4598. The drift of my question is that the officers may form a sort of league against the non-official members of the society, and that in that way hardship may occur to the non-official members?—I think that in the small class of societies such a thing as that is almost impossible, and that the members would sufficiently well protect their own interest in a case of that kind.

The witnesses withdrew.

Adjourned to Thursday, 20th April, at half-past 11 o'clock.

Thursday, 20th April 1871.

PRESENT :

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

JOHN BONHAM-CARTER, Esq., M.P.

EVAN MATTHEW RICHARDS, Esq., M.P.

FRANCIS THOMAS BIRCHAM, Esq.

Mr. THOMAS YOUNG STRACHAN examined.

4599. (*Chairman.*) I believe that you have a good deal of acquaintance with building societies beyond the Metropolitan district?—I have.

4599a. And especially in Newcastle-on-Tyne?—In and around Newcastle especially.

4600. Have you filled any official position in connexion with building societies?—I am the manager of the largest building society in the four northern counties, and I am consulting actuary to several societies in the district.

4601. What is the name of the building society which you manage?—The Newcastle-upon-Tyne Permanent Building Society.

4602. Can you give the Commission any general information with respect to the magnitude of the transactions of those societies with which you are connected?—I have prepared statistics of the societies in Newcastle and Gateshead, which, with your leave, I will place before the Commission. The sheet which you are looking at (*see return annexed, No. 1*) is a *résumé* of the receipts and payments of the societies. I have classified those receipts, as receipts from members, and receipts from other sources; and the payments similarly. I show that during a year there was received from members 323,000*l.* in these towns, I may call them one town.

4603. Consisting under the three heads of subscriptions, redemptions of mortgages, and other receipts?—Yes.

4604. The subscriptions amount to 215,251*l.*, the redemptions of mortgages to 94,712*l.*, and other receipts to 13,209*l.*?—Yes, and from non-members in the form of loans, preference shares, and other receipts, the sum of 331,197*l.* was received, almost the same sum as from members.

4605. The different societies by no means invariably receive the same proportion in loans and from members?—No; the sheet which we shall come to next, (*see return annexed, No. 2*) will show the proportion of the loans, as compared with the amount which they hold from the deposits of members and the balances due on mortgages, but necessarily the transactions of the societies differ, and the proportions must differ.

4606. The Newcastle-upon-Tyne Society, I see, received 45,611*l.* in subscriptions, 22,773*l.* in redemption of mortgages, and 2,055*l.* in other receipts?—Yes.

4607. Making, with 55,552*l.* received on preference shares, a total of 125,990*l.*?—Yes; the total in the last column but one applies both to receipts and to payments.

4608. The loans received in that time were only 55,552*l.*?—Yes. In that society we take loans in the form of preference shares. The sums paid over to members in the form of advances upon property or withdrawals of deposits amount to 413,933*l.*

4609. By all the societies?—By all the societies in Newcastle and Gateshead; they are virtually in one town.

4610. (*Mr. Richards.*) Do you speak from actual knowledge?—I have collated this from their balance sheets.

4611. (*Mr. Bircham.*) You are not acting for all these societies, but this is information which you have received?—Of many of them I have actual knowledge, but not of all, excepting through the printed balance sheets, a copy of which I believe I have with me in all cases.

4612. (*Chairman.*) Will you proceed with your statement?—These societies paid during the year for interest upon loans 46,450*l.* Sundry other payments, which include repayment of loans and small sums, were 189,449*l.*, and the expenses were 4,541*l.*; that is the expenses of all the societies for a year.

4613. The expenses of management?—Yes. The total amount turned over by those societies during the year is 654,373*l.*, and the management expenses bear a proportion to that sum of .694 per cent., about 13s. per cent. That includes the management of the capital sums left from the previous year, as well as the receipts and payments during the current year.

4614. Does that include the charges of surveyors and solicitors?—No; those charges never come into the accounts of the societies.

4615. They are paid by the members?—They are. The sheet of balances shows in the first column the amount which was due to investing members, which brings it up to the date of the published balance sheets. This second account only refers to permanent societies; the terminating societies are small. To investing members there was due 170,460*l.*; there was due upon loans and preference shares 1,006,286*l.*; there was due from members to the societies for mortgage debts, 1,232,382*l.* The whole of the societies showed a surplus of 45,930*l.*, assuming that their assets were all good for the mortgages.

4616. Nearly every society shows some surplus?—Every society but one shows some surplus: that is a young society, which had a prosecution for forgery during the year, and they only showed some shillings as the result. Then I have put in the last column the proportion which the loans bear to the mortgage debts; it is on the average 81.64 per cent. That is, to the amount borrowed from outside, and owing to others than members of the societies.

4617. I see that in the first statement which you have placed before me there are only eight small terminating societies mentioned?—Yes.

4618. Are the terminating societies gradually becoming extinct in Newcastle and Gateshead?—They are.

4619. The permanent principle is the one which meets with most favour?—It is meeting with almost universal favour. It will be noticed by reference to the first column that, with the exception of one or two societies, they have all been nine years, or less than nine years, in existence. Since we started the society of which I am manager, many societies have sprung up following our practice. The principle upon which we have founded our society has met with such universal favour that it has been imitated. In one or two cases where the figures are upwards of nine years, they are temporary societies converted into permanent societies. Almost every one is based upon our rules and tables. We attach detailed tables to the rules, by which members see their position.

Mr. T. Y.  
Strachan.

20 April 1871.



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4620. Have you drawn up these tables as an actuary?—I have. They are so calculated that the borrowing members only pay us five per cent.

4621. Perhaps you can give us shortly the points of difference between your tables and those upon which the leading London societies are based?—I think that those of the leading London societies are based upon the calculations of Mr. Scratchley, if I remember rightly. In our tables we fix the payment. The payment is the same, and we vary the amount to be advanced per share, according to the term over which the repayment is to extend, whereas the London societies fix the amount to be advanced, and vary the amount to be paid. There is this advantage in our system, that you can tabulate the amounts to show the member his position every month, whereas in the other societies you must go to the actuaries to know the amount due upon the redemption of a mortgage.

4622. (*Mr. Richards.*) Do I understand you rightly that you base your calculations upon five per cent.?—Yes.

4623. The London societies do not do that?—No; they are all much higher.

4624. They are six per cent.?—Yes, and eight per cent. and a premium sometimes beyond that.

4625. Are all the Newcastle tables based upon the payment of five per cent. by the borrower?—Yes, with very slight exceptions.

4626. Are your investors paid a uniform rate?—They are.

4627. What is that rate?—Five per cent.

4628. Then your tables are so calculated that your investors receive five per cent.?—Yes.

4629. And your borrowers pay five per cent.?—Yes. We are purely mutual.

4630. (*Chairman.*) Can you describe to us any other differences, if any, which exist between your societies and the London societies?—The chief difference, I take it, will be in our mode of raising money. As I have mentioned, a good deal of what is under the head of loans with us, is called "preference shares." That system arose when the Registrar declined to certify rules authorising the borrowing of money; then there was a system of preference shares created. The Act provides that no interest or periodical payment shall be paid until the shares are fully realised, and realised shares, called "realised preference shares," were made, being paid-up shares, and the interest is paid half-yearly. Most of the Newcastle societies issue preference shares in that form.

4631. But in your accounts, preference or paid-up shares are entered as entirely separate from what are properly called members' shares?—Yes, they are joined with loans.

4632. In what way are they preference shares?—They have the first claim upon the society's funds, and they are entitled to a fixed rate of interest, and are not liable to any losses, or entitled to share in any profit which may accrue to the society.

4633. (*Mr. Richards.*) Are all your preference shares five per cent. shares?—Yes.

4634. Then it is rather a misnomer to call them "preference shares," is it not?—So long as we have no other creditors, *inter se* they would have preference in payment if we were winding up. If we have other creditors, the creditors would rank before them in winding up; but we have no creditors except for salaries, and so on.

4635. (*Chairman.*) The holders of preference shares, I observe, are not entitled to hold office, or to vote in respect of them?—No.

4636. (*Mr. Richards.*) It is only another mode of borrowing?—Yes, it is really an evasion of the Act. When it was found that the restrictive powers of the Act would not work, as is always the case, some mode of evasion was adopted; "realised preference shares," I believe, is the term used in the rules, but in talking of them we call them preference shares.

4637. They are paid-up shares?—Yes, they are paid up in one payment.

4638. Are your preference shares of one uniform amount?—Yes.

4639. (*Chairman.*) In all the societies?—I think not in all the societies; they are nominally of 10*l.* in most of the societies, but some make them 1*l.*,—that was for the purpose of avoiding another objection which the late Registrar raised, namely, that under the Act no payments upon any one share could be more than 1*l.* in any one month. Therefore, to avoid breaking that rule, the nominal value of the shares was reduced to 1*l.*

4640. I observe, as I remarked before, that the amount held in the different societies in the way of preference shares or loans varies very much?—It does.

4641. But none of them apparently have found themselves able to do without raising capital in that way?—None; in fact that is the basis upon which we can establish societies on the principle which I have stated, namely, charging five per cent. only.

4642. You would be unable to do it, except by the issue of these preference shares?—Totally unable, and it was so found. I might illustrate it by reference to the second society in the list, which is 20 years old, namely, the Northern Counties' Society. That society has a borrowing power under the old legislation, up to, I think, two-thirds of its mortgage debt; but it did not exercise it for many years, and the consequence was that the society was very small, and for years if the members wanted an advance upon their property they were put upon a rotation, and could not rely upon getting it, and they could not buy the property, and those who did get it had to pay an extra three per cent. for a time, which made eight per cent. I do not know that there is any reason why that society should not experience the same confidence as our society, being managed by the same class of men, and equally respectable men. Yet it has only due upon mortgage after 20 years 139,000*l.*, while our society has 291,000*l.* at the end of nine years.

4643. That society appears to have exceeded the proportion of which you have spoken?—It has exceeded that proportion perhaps by one per cent. It is quite impossible in conducting a society to ascertain, until you make your valuation for the balance sheet, whether you have exceeded the proportion or not, except by leaving a very large margin; there is no formula by which we can calculate it.

4644. How do you account for the great difference in the proportion between the subscriptions of members and loans or preference shares in the different societies?—There are some societies in which the solicitors have great power of obtaining money, and being naturally anxious to have it invested on mortgage, they have large sums of money brought in. One or two of the recent societies have a very large per-centage, because the solicitors have a command of clients with money to invest. Many of them lend in and out through the society.

4645. The rate of interest in all the societies being the same?—Yes, five per cent. It is found that it is difficult to get money placed upon private mortgages now in and about Newcastle, in consequence of the action of building societies. It is almost all lent through the medium of these societies; and hence solicitors who have clients, and who have plenty of money passing through their hands, are compelled to have recourse to a building society, and to lend it in that form.

4646. Then building societies have to a great extent taken the form of loan societies?—With the restriction that everything is lent upon real security, and is payable by fixed instalments. Loan societies lend their money upon personal security and a promissory note, which we are restricted from doing. It is the class of money which was lent upon private mortgage; borrowers prefer the payment by instalments, and the certainty that while those instalments are being paid the mortgage will not be disturbed, which certainty they never could have under private mortgages; and consequently they all seek to have their money through

a building society, rather than through a private mortgage, where they only pay interest, and leave the capital debt untouched.

4647. But, at any rate, there is a very great difference between the present system of building societies, and that upon which they were originally founded?—Yes; the system upon which they were originally founded is one of which I have had some experience, namely, of selling the shares at a premium. In a society with which I was connected some years ago, the shares were of the nominal value of 120*l.* Every member paid 10*s.* per share subscription; if he wanted an advance, he had to bid upon paper a premium, which was to be spread over 10 years, and then he paid in addition to his 10*s.* monthly subscription, 10*s.* interest upon 120*l.*, and a monthly premium divided over the unexpired months of the 10 years. I have been present when upwards of 40*l.* has been received for the right to borrow 120*l.*; that was because the society could not borrow money; it could only lend what was received from its members, and some needy members paid an extravagant sum. The consequence was, that a large proportion of the properties used to come into the hands of the societies, whereas in the Newcastle societies the proportion is now very small; a very small sum indeed is lost by bad investments.

4648. Then for the sake of the *bonâ fide* members of building societies themselves, you prefer the present system to the old one?—Yes, the system upon which we are now acting, but which is not very clearly authorised by the law. I do prefer that the law should authorise the system which is acted upon, in the interest of the members of the societies.

4649. What is your view as to any alteration in the law which may be required?—I think that the restrictions in the present Act ought to be done away with. The Act now says that the payment shall not be more than 1*l.* per share, and that the share shall not be more than 150*l.*, but those restrictions have been done away with to some extent, by a decision in the case of *Morrison v. Glover*, namely, that a member may hold any number of shares. Therefore, by reducing the nominal amount of the share, you may get in to any extent. I should suggest that it should be clearly understood that the societies, being societies whose commodity is money, should be allowed to take up money in such form as they may deem advisable, leaving it to themselves to satisfy their customers that they have a good security; and I should suggest that the proper thing to do is to place clear remedies on the statute book, by which the money invested in these societies should be recovered, there being necessarily a punishment for all frauds, and that the societies should be left to deal with their customers as they may make their bargains.

4650. In your opinion, should the law provide that the moneys lent by a society should only be lent upon real security?—I think so.

4651. You would not allow of any collateral securities?—No. In my opinion they are very dangerous things. We are sometimes asked to supplement a real security by a collateral security, and I make a very good answer that the law does not allow us to do it. In all cases it is to my mind a suspicious security.

4652. Even in the case of a policy of insurance?—Yes.

4653. (*Mr. Richards.*) What is the form of the collateral security?—Personal security. It is done quietly. A man comes with a security short of the amount, and says, "I can supplement it by collateral security."

4654. (*Chairman.*) Are you acquainted with any societies where that practice is followed?—It is not followed as a practice, but I have heard of its occurring. Application for it has been made in my society, but we have never acceded to it.

4655. (*Mr. Richards.*) When you speak of real security you include leasehold property?—Leasehold, copyhold, or freehold property.

4656. (*Chairman.*) From the answer which you gave a short time ago, I understand you to be against any limit to the borrowing powers of the societies by law?—I am. I suggest in the first place that it is impolitic to limit the borrowing power, and secondly, that many of the suggestions which are made are quite impracticable. I have already mentioned the principles which I would suggest in framing a law, namely, that the parties ought to be left to make their own bargain with sufficient remedies. I have heard it proposed that the amount to be borrowed should bear some proportion to what is called the capital of a building society. Now there is a considerable amount of misnomer in using the word "capital" with reference to a building society. There is nothing in a building society parallel with what is called capital in a joint stock company, with which it is generally compared. The depositing shareholders may withdraw their shares at any time upon a month's notice. In the case of winding-up, it has been held that they cannot be called upon to contribute sums towards the winding-up; therefore there is no similarity between these sums and what is capital in a joint stock company.

4657. Not between the sums deposited by shareholders and the capital of a joint stock company; but is there not a similarity between the subscriptions of the members and the capital of a joint stock company?—The subscriptions of the members would consist of sums deposited by investing members of the society and the amounts paid off the mortgages by borrowing members. Now the first class are not liable to be called upon as contributories in the case of winding-up. I am speaking now of shareholders merely. The amount shown in the first column is the balance due to members on shares with interest, and in case of winding-up, these persons could not be called upon to contribute money. In that respect they are not parallel to the shareholders in a joint stock company; and again, from the fact that these shares are withdrawable and are extinguished by payment, they are not parallel to the shares in a joint stock company. In a joint stock company the share exists for ever, it is transferred from hand to hand; in building societies these shares are withdrawn, and the whole thing is extinguished in the same way as a loan which is repaid. And in looking at the amount held from investing shareholders only, you neglect the amount paid by borrowing members in reduction of the mortgage debt, while not only this, but the total value of the property might be made available in certain cases in winding-up.

4658. But is it not the reason why the share is allowed to be withdrawn, that the society is thereby relieved from the prospective payment?—Yes, it is relieved from the payment of that share.

4659. The withdrawal of the share does not diminish the power of the society?—Yes, it must necessarily do so: if all the shareholders withdrew their money, the society would have that much less to meet its liabilities.

4660. The society with reference to an unadvanced investing member is liable to pay that member at some future period the amount of his share?—Yes, in the same manner as a joint stock company is liable to refund to its members, if it has not lost it, the capital represented by each member's shares. I am wishing to point out to the Commission that there is no parallel between anything in a building society and a joint stock company, which should lead us to discuss the propriety of fixing the borrowing powers with regard to share capital. According to our general ideas of share capital in a joint stock company, there is nothing parallel to it in a building society.

4661. Another proposed limit is the balances due upon mortgages; what is your opinion of such a limit?—It is in regard to that that I prepared this table of balances which I have laid before the Commissioners, and which shows the proportion due. If a limit was

Mr. T. Y.  
Strachan.

20 April 1871



Mr. T. Y.  
Strachan.

20 April 1871.

fixed at all, to my mind it could not be any other than a proportion of the mortgage debts; but in practice we find it very difficult to know, except at the moment when we make our annual balance sheet, whether or not we have exceeded that limit, or are near it. I have pointed out the Northern Counties' Society, where the limit has been slightly exceeded, as is shown by the last balance sheet.

4662. Will you give the figures with regard to that?—There is due upon loans 94,094*l*. There is due from members upon mortgages 138,997*l*. The proportion which the loans bear to the mortgage debts is 67*l* 7*s*.

4663. What is the proportion which the rules authorise?—The proportion which the rule allows is two thirds, namely, 66*l* 6*s*. I have a copy of the rules of that society, namely, the Northern Counties, which I will put in if the Commission wish it. I am quite convinced that that society endeavours to keep within the limit of its rule, but even as an actuary, I know no means by which I could tell that it was within the limit, except by leaving a very large margin in the working of the society during the year.

4664. What sort of margin do you consider would be requisite?—I should have to make a calculation or an estimate, taking into consideration what shares had been withdrawn during the year (which is cancelling so-called capital), what loans had come in, and what money was advanced upon mortgage, and if there were any penalties upon infringing the law, I should aim at a margin of fully 10 per cent. more than was required by law. It is a subject which bristles with difficulties in the management of a society, because on the one hand we are applied to by people who want money, and on the other hand we are applied to by people who have money to lend, and we are naturally anxious to do the most business which the law allows us to do. And yet if we ran close to the limit, we might, when we issued our balance sheet, find that we were slightly in excess, as is the case with that society. With every desire to keep within the enactment of the law, we might find that we had unconsciously broken it. In my opinion, it is of more importance to look at the time at which repayment can be demanded, than at the proportion borrowed. To borrow large sums at short notice, and lend them on mortgages, is dangerous in practice. In my society, we take no preference shares except at six months notice, while ordinary shareholders withdraw at one month.

4665. Would you have any other objection to this limit?—Not if a form of limit was to be fixed. It seems to me the least liable to objection, except that mentioned, which practically is a large one.

4666. Do you see no advantages in fixing a limit?—I do not see any advantage in the legislature fixing a limit. It seems to me to be an attempt to make the public safe in their dealings with the society, and experience has shown us that no legislative attempts ever succeed in this way. I submit that it is a better principle that the people should judge for themselves.

4667. But have the people the means of obtaining the necessary knowledge to enable them to judge for themselves?—I think so. We print our balance sheets in every society. I instituted the system of having them audited by public accountants, and it has extended very much now in Newcastle. The accounts of almost all the Newcastle societies are audited by public accountants, men of experience and ability, and by those means I think that the public, knowing the parties, and the mode of conducting the society, and being upon the spot, and seeing our balance sheets, would have the best means of judging.

4668. How would you propose that the loans should be made?—I would propose that the society should be liable for all the money borrowed, the same as a joint stock bank is, and that it should be a charge against the society.

4669. Would you make individual members liable, or who should be liable?—I would make the society liable. At present they have their constitution as a benefit society. I should make the society liable, and I should suggest that in case of neglect to pay, and judgment being obtained, the society should be liable to be wound up. That is the only way in which you can deal with a society.

4670. Would you propose that the society should be incorporated?—I do not see that it is a matter of much moment, whether we have incorporation with a common seal, or whether, as at present, all the fund are vested in trustees for the society. At present the society sues and is sued in the name of the trustees. There are some advantages in having incorporation under seal, but I do not see that there is much difference.

4671. Referring to Rule No. 18 of the Northern Counties' Society, which, as I think you have told us, has been in existence for 20 years, I see that that rule provides that the trustees for the time being may borrow any sum of money from any banker with whom the funds of the society may be deposited, or from any other person; practically it amounts to borrowing upon the personal security of the trustees, does it not?—Yes, from that rule it does, and until very recent years that was considered the only practicable means of borrowing; but if you bear in mind that the trustees, who consist of tradesmen, are liable for 291,000*l*, you may consider that their personal security is no security. In that society 139,000*l*. is due probably in the form of the personal security of the trustees, which is perfectly incompetent to meet one tenth of that sum.

4672. I forget whether you stated that the sum which is entered in the first sheet as to the Northern Counties' Society under the head of "loans, preference shares, and bankers," namely, 21,522*l*., consists of loans, or whether that society issued preference shares to the same extent as the others?—It does not issue preference shares.

4673. Has the Northern Counties' Society, acting upon the rule which I have read, borrowed the sum which you have named upon the personal security of its trustees?—I believe so.

4674. Is not that an answer to your previous answer?—Although that is the reading of the rule, yet the public look at the society itself. They know that the society is a solvent institution, and that the personal security of the trustees is perfectly inadequate to the liability; but they know that the assets of the society indemnify the trustees, so that their own personal security will never be called into operation.

4675. What security is there that the Northern Counties' Society will have any assets?—We have the audited balance sheet, showing 139,000*l*. to be due to the society upon mortgages; that balance sheet is duly audited by professional accountants.

4676. The balance due upon mortgages is the security for assets?—Yes, chiefly.

4677. Then is not that a reason why the balance due upon mortgages should be taken as some guide for the limit of borrowing powers?—I think that if there is to be any limit to the borrowing powers, that ought to be the basis.

4678. Do you think that in this Northern Counties' Society the public have looked to that as securing them beyond the personal security of the trustees?—There is no doubt of it whatever.

4679. That having been the fact, would it not be well that the law should recognise it?—It would most decidedly be well that the law should recognise that the society is liable for the money borrowed.

4680. And is not the balance due upon mortgages the only way in which the society can be liable?—Yes, we may say that they are the total assets of the society. If we say that the funds and effects are liable for this money, then we get at these assets, and

any little trifle beyond the 139,000*l.* is a part of the assets of the society.

4681. (*Mr. Richards.*) In using the word "assets," you refer to the mortgage property of the society?—I refer to the amount due on the mortgages, and not to the value of the property itself, although there are cases in which the value of the property itself might be assets.

4682. Your interpretation of the word "assets" does not extend to the amount which might be due from shares not paid up by the members?—No, they are liabilities of the society.

4683. (*Chairman.*) Are you acquainted with any other proposal which has been made with a view to limiting the borrowing powers?—No, I think not. Those are the two heads under which they classify themselves.

4684. (*Mr. Bircham.*) Do I rightly understand you that you would make the power of borrowing indefinite in amount, and the security to the lender the general liability of the society, but without specific charge upon any items of its property?—I would make the power to borrow unlimited in amount, and would charge the whole of the assets of the society with the repayment.

4685. Do you mean that you would charge them, so that any particular part of the property would be under lien to the lender?—No, I should not suggest such a course. I think that that would be a breach of trust under the present law. We have been asked to do a thing of that kind, and there are societies now winding up in Chancery where it has been done, that is to say, where a society has borrowed money, and deposited as security the mortgage deeds which it received from several of its members. That, of course, is a breach of trust—that is a thing which ought never to be permitted. The general charging of the assets of the society then brings us to the question, what remedies a person has against a society in case they do not pay.

4686. You used the expression, "a general charge against the assets of the society," without, I think, appreciating its legal value. You only mean that the society should be liable generally, but that none of its property should be charged in a sense which enables the lender to lay hold of any specific part of the property?—Decidedly. Perhaps I used the word "charge" when I should have said "liability."

4687. It is a general liability, and not a specific charge?—Yes; I mean that the funds and assets of the society should be liable.

4688. (*Mr. Richards.*) Do you think that the public would be disposed to lend freely upon that class of security?—I think so; in fact it is practically what they lend upon at present with us.

4689. (*Mr. Bircham.*) But being of opinion that there should be no limit, you perhaps have not considered how the power could be limited?—I have considered how the power could be limited, and have pointed out the difficulties which occur to my mind in the various proposals.

4690. Supposing that some limit was placed upon it, every security which was issued by the trustees might have an endorsement by the trustees that it was within that limit, as is the case now with railway debentures?—Of course, if the limit was fixed, that endorsement might be placed upon the security.

4691. And it might be made highly penal upon the parties signing that endorsed certificate if it were untrue?—Yes, and I have pointed out that if it were so arranged, unless we kept a large margin, without intending to break the law, we might at times bring ourselves under the penal operation.

4692. Might not a safe margin be left without leaving a large margin?—I think not, for this reason that our capital may be withdrawn. The investing shareholders' money may be withdrawn to a large extent.

4693. (*Mr. Richards.*) What do you mean by "investing shareholders"?—I think that that is the term which the chairman used,—the members who have invested their periodical subscriptions in the society.

4694. (*Mr. Bircham.*) You mean the ordinary shareholders?—The ordinary shareholders who have not borrowed.

4695. (*Mr. Richards.*) The preference shareholders by your system would be blotted out altogether?—They would become creditors of the society; practically it is the same thing, while we have no other creditors.

4696. They would be the lenders?—Yes, the lenders to the society.

4697. Assuming that any limit were placed to the power of borrowing, what would you indicate as a safe limit?—Looking to the fact that the society would require in practice to give more than the limit which was laid down, I should think that the limit of leaving 10 per cent. would be an ample limit. In practice, I should always aim at something like 20 per cent., in order to keep myself clear of any penal clauses. I mean that the loans might be allowed to be nine-tenths of the mortgages. I quote this with reference to the statistics upon this paper which show the proportions; they vary there from 60 up to 95 per cent.

4698. Do you think that the class of men now at the head of societies of this sort would be replaced by men of superior position, if the facilities of lending and borrowing were increased?—I think that they would. I think that societies have increased in size, and that the class of men who manage them have improved, and would do so much more if a clear constitution with legalised powers were given them, as you mention.

4699. Do you think that the inability to borrow has been one great reason why terminating societies have not succeeded?—Yes, to some extent.

4700. There has been a difficulty in the earlier stage of the society?—In the earlier stage of the society there has been a difficulty to provide money for a man who wanted to borrow; and the fact that if he comes in afterwards he has to pay a large sum, namely, to pay up the subscriptions from the time when the society commenced till he can get his money, has practically kept down those societies to very small limits.

4701. Assuming that your views were embodied in a statute, would you then prefer the system of terminating societies to permanent societies?—No, I should prefer the permanent societies.

4702. Would you limit the area over which societies of this character should confine their operations?—I should limit the area to lending money upon real securities.

4703. In what way?—Lending money on mortgage, upon real securities. I should only give them that power.

4704. I am speaking of the area geographically?—No, I should not limit it; the more your risks are spread the better for the society.

4705. Do you think that if a society were established in the grand centre of the metropolis, with unlimited power to borrow money, and the power of lending to any part of Great Britain, those would be safe powers to grant to a building society?—I do not see any reason why they should not be safe. I take it that these building societies are, in a restricted sense, more parallel to banks than any company which has been mentioned.

4706. Would not that be altogether a departure from the first principles of building societies, namely, an encouragement to working men to invest their savings for the purpose of acquiring house property?—I do not see that there is any departure from that principle; it seems to me to be an extension based upon that principle. In these societies working men do invest their savings, some with the idea of acquiring

*Mr. T. Y. Strachan.*

20 April 187



Mr. T. Y.  
Strachan.

6 April 1871.

property, and some with the idea merely of an investment; and making enlarged societies would only give them the same means as they have of investing their savings.

4707. But would not the operation be to take the management entirely out of the hands of that class?—Probably so, and I do not think that that is a disadvantage; the members themselves manage the societies, but the best business men in the societies are generally tradesmen. I take it that if the societies are managed by tradesmen who have succeeded in their private business, the chances are that they are as well, if not far better managed than they are by working men, who are not so competent to conduct these societies. I mean not so competent, from not having been accustomed to business management; I do not say it with any disrespect to working men.

4708. Assuming large powers to be given, would not the powers go out of the hands of even the class of men to whom you now refer, namely, competent tradesmen, and be centered in large towns and cities, such as London or York?—I think not. I think that every town would have its building societies, for this reason, that it is for the interest of solicitors to have a building society; they are generally the originators of such societies, and they having money to lend would originate a building society, and lend it out in their districts. Almost every solicitor in a town now has a building society, so that I do not think that it would come into the hands of the large towns. The solicitors are too powerful a class, and it is too much of a personal interest for them to neglect it.

4709. (*Chairman.*) In any of the societies which you have mentioned, has it occurred that the rate of interest has been lowered in order to exclude depositors, the society finding that they had no use for their money?—That has never been the case in the North of England, nor in any society that I have heard of out of London. I have seen it in London societies, but not in connexion with country societies. When I have found a plethora of money in my own society, I have declined to receive preference shares, and have always taken in ordinary shareholders.

4710. Does not that amount to the same thing?—No; I think that there is this difference, that what may be called the recognised business of the society, namely, by the ordinary shareholders, is what ought to be fostered; and I have always taken them in practice. The societies to which you allude in London have hindered shareholders from coming in, and have taken loans. I would decline the loans, and would take the shareholders.

4711. What I was referring to was the rate of interest on deposits. I understand that one of the London societies has lowered its rate of interest on deposits, in order to exclude depositors?—I have seen that done. I have noticed it most particularly in connexion with the "Planet" Society; their report showed that they had lowered their rate of interest, or had closed their share account, declining to take in any more shares; but we have never had anything to do with that in the north.

4712. Have you always found that you had as much money as you had use for?—Yes, almost always; and if we had a plethora, I have declined to take preference shares.

4713. Who in your society has the power of declining?—The board of directors, but they have practically left it with me.

4714. What is the amount of deposits which you receive?—10*l*. We take nothing below 10*l*. as preference shares.

4715. Have you any maximum?—None.

4716. Would you propose any limit to be laid down by law?—No, I see no necessity for it. There are many small societies where small sums of money are valuable, and large societies will not be bothered with small sums.

4717. Do you propose that the legislature should give a constitution to these societies?—I do.

4718. Of what kind?—I do not see a very great difference as to whether we are incorporated with a common seal, or whether we have a constitution, as at present, to sue or be sued as a society in the names of the trustees.

4719. (*Mr. Richards.*) You are asking for corporate powers?—Our power at present is to sue and be sued in the names of the trustees. We are a society dealing with money. Our whole commodity is money. We are receiving it, and lending it out again. There is that very great difference between us and a joint stock company carrying on works, with regard to which it is reasonable to limit the borrowing powers, —either railway companies or other joint stock companies. We are carrying on no works. We are in a restricted sense a bank, but we only lend out our money upon mortgage securities. Our commodity being money, is one of the strongest reasons why I suggest that we ought not to be restricted in the amount of trade which we carry on.

4720. (*Chairman.*) You would also suggest that a remedy should be provided for the depositors, whom I suppose you call customers?—Yes; if you give power to the society to borrow money, I think that the remedy should be clear and stringent.

4721. Will you describe the remedy which you would propose?—I would suggest that a member who had given notice to withdraw, and a depositor who had given notice to have his money repaid, and to whom it was due, should have the right to sue the society, and that in case of default of payment they should have the right to apply to wind the society up. That seems to be the only way in which you can deal with a society whose assets are mortgage debts.

4722. In your society, is it not the case that the members who have given notice to withdraw cannot withdraw, unless you have funds available for that purpose?—That is the rule.

4723. Then what would be the advantage of giving the members powers, such as you describe?—If a society has got into such a state that it has not funds for the purpose of meeting its liabilities, it had better stop carrying on business.

4724. Is not that rather a confusion of the term "liability"? is it quite accurate under the rules, which provide that a member shall only withdraw if the society has funds to pay him out, to call it a liability of the society?—The society might be held in that case not liable to pay, and that would be a defence to the action. I am speaking of a member having got a judgment, and that default is made in payment.

4725. But the power of withdrawal is only contingent on a certain event?—Generally so. There is generally that precaution taken in framing the rules.

4726. Do you not think it necessary that that precaution should be taken?—I think so. I think that it is quite necessary that members should not be allowed to withdraw their money, if there is a probability that the society may be called upon to make a sacrifice.

4727. Then what necessity is there for the protection to the members of the kind which you have suggested?—It is in a secondary sense protection to the member. It is chiefly protection to the depositor; but it might be the case that, from a little obstinacy on the part of the directors, there would be a difficulty in recovering the money, and there might be no real ground for not paying; in such a case, I think that a member ought also to have a right against the society. It would be a good defence under the rule before a judge, that the society was not in funds, and the judge in that case would not make an order.

4728. Have cases come under your notice in which what you suggest has happened?—Yes; more especially in terminating societies. I have met with cases where notice has been given to withdraw, and difficulties

Mr. T. Y.  
Strachan.

20 April 1871

have been thrown in the way by directors, under powers contained in the rules. There is the power which you have mentioned, and in some cases there is an extended power, where the right to withdraw is in the discretion of the directors. I have a case now before me of that kind.

4729. (*Mr. Bonham-Carter.*) Are there cases in which, whilst there are funds, an investing member might wish to withdraw, but difficulties would be thrown in his way, in order to favour some other person whose application was not already deposited, but who was expected to make the application?—I believe that such cases do occur, and I may mention, by way of illustration, a case which was submitted to me last Saturday, where a member of a society wished to withdraw. The directors have the power to withhold permission; they have exercised the power, but have intimated to him that if he goes to Liverpool, or to a great distance, they will pay him, but that if he remains in the neighbourhood they will not pay him.

4730. (*Chairman.*) You might remedy that by making in the rules the power illegal?—Yes.

4731. With regard to depositors, what remedies do you propose for them?—I would suggest that they should have their action, and in default of obtaining their money on judgment, should have a right to petition for winding up. That seems to me to be the only way in which you can get at it. It would be the duty of the liquidator to realise the mortgages, and to pay the liabilities as far as they would go, and in aid of that I should like to see a power of amalgamating societies.

4732. What are your views with reference to the barrister's certificate?—My idea of the barrister's certificate is, that if we have a certificate from the certifying barrister, it ought to be conclusive evidence that the rules are good in law, and that if it does not bear that weight with it we ought rather to have mere registration, as has been recently suggested in the case of savings banks and friendly societies. I would rather have mere registration than the registrar's certificate, as it has been hitherto, bearing no weight with it when it comes before the court; and my idea is, that if there was any case of doubt between the barrister and any society, he ought to be at liberty to state a case to the court, and take the opinion of the court as an authoritative decision of the law.

4733. Has your attention been called to the Bill of last session as to the substitution of registration for the barrister's certificate?—Yes, I have considered that.

4734. What is your opinion on that point?—I would prefer that to the barrister's certificate as it has hitherto existed.

4735. Do you think that it would be of any service in societies?—The registration, I take it, is merely a form of constituting the society. The Bill alludes to registration only, because it is to be so far as the rules are in conformity with law.

4736. The Bill provides that the rules shall contain certain things, and that if they do so they shall be registered?—Yes.

4737. Without laying down the nature of the provisions which the rules may contain?—Do I understand your question to refer to my agreement in all the objects which the rules ought to contain, or merely as to registration?

4738. I wish to ascertain how far you think that such a provision as is proposed by that Bill would be of any service to the public or to societies. It substitutes for the present certificate, that the rules are in conformity with law, a mere registration to the effect that the rules contain certain provisions. What is your view with respect to that?—Taking a mere registration of the rules containing provisions good or bad, and the barrister's certificate as it has existed hitherto, I should prefer mere registration, because the barrister's certificate I apprehend to bear

upon it to the public mind that the rules are good in law, whereas they may not be, and the registration does not hold out the illusory belief which the barrister's certificate has hitherto done. But if the barrister's certificate could be made to bear the authority of law, and not leave us to go to the courts to decide what was good law, it would do away with many law-suits. In the society with which I am connected there was such a suit, and the Vice-Chancellor ordered it to be taken off the file, as it was an imposition upon the court.

4739. As to the power of winding-up, have you any suggestions to make?—My idea is that the winding-up would be better performed by the local county courts. That the local county court judge should have a right to say that the society had done such acts as would justify the winding-up, and the appointment of a local liquidator; and in order to facilitate the easy winding-up of a society, as well as for other purposes, I would suggest, if practicable, that the right to amalgamate societies should exist.

4740. Have you any idea as to the proportion of members which should be required for a vote for amalgamation?—For a vote for amalgamation I think that we ought to have about two-thirds of the members of both societies in favour of it, and a meeting confirming it. There is a difficulty in carrying that out. If we could by this vote, duly confirmed, vest all the contracts of the failing society in the absorbing society, it would no doubt be a great advantage, but I do not know whether that could be done in law.

4741. Have you known many cases of failures among building societies in your district?—A few.

4742. Will you state any instances?—There is the case of the —, which is now winding up in Chancery, whose accounts I audited, and showed that they were in an insolvent state about a twelvemonth before the winding-up.

4743. To what causes do you attribute that insolvency?—It was partly due to an extravagant and dishonest management, and partly to their having speculated in land. I made a very strong report upon that subject, and we got 750*l.* back from the manager for overcharges on salary, and the question was still left open whether he and the solicitor had not together bought the land to resell it to the society and pocketed the money. It was no doubt a dishonest transaction.

4744. Does the phrase "extravagant and dishonest management" refer to anything else than transactions connected with land?—Yes, there was great dishonesty in the manager, in his charging his salary and expenses, and other overcharges to the society, for some of which I thought that a criminal action might have lain. I made up a claim of about 1,200*l.*, and he paid 750*l.* to the society to quiet that part of it, and left the speculations in land to be discussed, if necessary, in a court of equity.

4745. Were there any fraudulent transactions in reference to deposits or loans?—Yes; for example, a large sum was put through the books which never went through the society, and the interest upon it was drawn by the manager or some of his friends.

4746. Had that society a board of directors?—It had.

4747. And trustees?—And trustees.

4748. Did neither the directors nor the trustees take any interest in its management?—To look at the books of the society, one would have thought that they had taken great interest in it; the accounts were initiated by the finance committee, and the minutes of the society were regularly kept; but they had blind confidence in the manager, and they seem to have put their initials to the accounts without looking at them, and these accounts were audited by members of the society.

4749. What was the nature of the transactions in land which led to the failure of the society?—The last transaction was that they bought a lot of land in



Mr. T. Y.  
Strachan.  
20 April 1871.

Middlesborough. The solicitor and the secretary together agreed to buy it, and it was understood to be on behalf of the society; then they began to build cottages upon it, and afterwards a deed of transfer was taken from these two gentlemen to trustees for the society, and a large consideration was placed in that deed, which we had every reason to believe was a consideration involving a large profit to the solicitor and the secretary. Sums were paid towards building those cottages, a considerable portion of which, I believe, never went for building. The solicitor died, and then a deed of indemnity was signed just before the time of my audit, when I exposed the whole account. When the deed of indemnity was given, the property was transferred into the names of trustees for the society. They went on for 12 months trying to pay their debts, and found that they could not do it, and they got an independent valuation of the property, and found that it was 7,000*l.* or 8,000*l.* deficient, as compared with the value appearing in their books.

4750. Were the directors cognisant of the transaction to which you refer?—It was curious to note how the directors from whom the knowledge ought to have come knew nothing. They had done things which would appear to show them to be cognisant of it, but they did not appear to understand what they had done.

4751. In what position in life were the directors?—Some of them were tradesmen, and some were working men; they had some very respectable men as trustees, but they were of a class just a little above those who would take the trouble to look into the matter, and the direction was left to a few men who were the tools of the managers.

4752. The trustees to whom the land was conveyed were not the trustees of the society?—No.

4753. Are you acquainted with any other cases where speculations in land have occurred?—No.

4754. Or where building societies have been certified as building societies, and have taken up what is called land business?—I have frequently noticed such cases, and have seen the reports, but I have had no connexion with them.

4755. Are such cases common in your district?—No. One was tried about 20 years ago and did not succeed; since that the societies in Newcastle and that district have confined themselves strictly to building societies' operations.

4756. May I take it that all the societies mentioned in the returns which you have put in are societies which have nothing to do, either directly or indirectly, with land business?—I think so. I believe that no society has anything to do with land. They may be mortgagees in possession of a few houses, but in no case are they owners.

4757. Nor do they lend their money to land societies?—There are no land societies in our district. I may mention that I strongly object to the mixing-up of land society business with building societies. I adhere to the principle which I have mentioned, that our commodity is money.

4758. (Mr. Richards.) Then you would have no buying or selling?—No, excepting land for their own premises.

4759. (Chairman.) Has the case of fraud to which you have referred suggested to you any precautions which ought to be taken by the legislature against its possible recurrence?—I have very little confidence in anything which the legislature can do with regard to fraud, except to make the punishment of it certain. There might have been criminal proceedings in that case, but, speaking from memory, I think that the Friendly Societies' Act allows the justices on criminal proceedings to order either two or three times the sum to be refunded, and a distress to issue against any defaulting officer, and therefore in condoning we were only to some extent throwing over the remedies which the legislature has given, because it also gives the remedy of imprisonment. With reference to carrying on

land operations in connexion with a building society, I know, from conversation with the manager of the Leeds Permanent Society, which is a very large society in Leeds, that in that society a few of them formed themselves into a company, and built model houses for working men, and a very nice class of houses indeed; they borrowed money from the building society, built cottages upon their land, and sold them again to members of the building society,—which seems to me the only fair and legitimate way in which such operations can be performed.

4760. (Mr. Richards.) Are you acquainted with Mr. Gourley's Bill of last session?—Yes.

4761. You, I apprehend, disapprove altogether of the 20th clause of that Bill, as to the investment of surplus funds, which says that the trustees of any society may from time to time invest any portion of their surplus funds?—Upon real or leasehold securities? If it means merely mortgage securities, I should not object to it. If it means the purchase of real or leasehold estate, I certainly should object.

4762. You, at any rate, disapprove of the power of the society purchasing?—Yes, except for the purpose of its own business premises; that is a power which is contained in most of the recent Acts of the friendly and industrial societies.

4763. If the legislature gave facilities to societies of this character to receive capital without limit, and to lend as it might suit their purposes, upon what plea could they ask for any remission of stamp duty?—I do not think that the plea of a total remission of stamp duty is at all tenable. I have consulted with the managers of many societies in the north, and we are all agreed that we cannot claim a total exemption from stamp duties.

4764. Why can they claim any remission?—There is only one remission which I think we might ask for, namely, that considering that we are the medium through which money is received and lent out upon mortgage, we might be allowed to receive money as bankers do, and issue our receipts and certificates without stamps; but everything upon which our money is lent should pay stamp duty. That is, that the money at its inception should be free of stamp duty, but that it should all pay on going out. All money would thus pay once.

4765. Then all that you ask, as I understand, is to be placed in the same position as an ordinary joint stock bank?—Yes, I do not think that we are entitled to anything more.

4766. Then you, and those associated with you in the management of these large societies, come before the Commission and say, Let the legislature give us what we consider the necessary facilities for carrying on the business of these societies, and we ask for no remission of stamp duties?—I would rather pay every stamp duty to which we are liable, and carry on our business in the ordinary free trade manner.

4767. (Mr. Bonham-Carter.) That may be perfectly in accordance with your views as a great trading society; but would it be possible to leave the exemption to that class of society which is supposed to be within the purview of the original Act, and to withdraw it from you? and if so, where would you draw the line?—I do not see where you can draw the line.

4768. But I suppose you can see that the object of the legislature when the Act was passed was to give a certain bonus to a certain limited class of society?—Yes. But we should not forget that when that bonus was given it was a bonus of great value, but that by the subsequent remissions of stamp duties it is now a bonus of little value.

4769. Then your answer is that the alteration as to the stamps since the passing of the Act is such, that the remission is not of sufficient value to make it worth while to continue it?—Clearly. There is only one question which arises upon that subject, namely,

the question of stamping re-conveyances. By the Building Societies' Act, when a mortgage was paid off, it was vacated by an endorsement upon the deed itself, which did not require any stamp, and that was very simple; but now, if we had to pay all stamp duties, it would have to come up to London to be stamped, and practically the lawyers' expenses would be serious, while the stamp duty itself would be trifling. That was a question which, I think, arose when we were discussing the exemption from or the imposition of taxes.

4770. (*Mr. Richards.*) With respect to the certificate of the registrar, do you not think that if a society had its rules registered, those registered rules would be subject to the same remark as to their having been regularly certified by Government, as the rules at present certified by the certifying barrister?—Not, I think, with reflecting men. There is no doubt that some people would advertise that the rules were certified or registered according to law.

4771. Do you not think that very much more could be made of it, namely, that the society was registered at the Board of Trade in accordance with such and such a statute?—I think not, because now joint stock companies are registered, and so many things are registered that people have got to estimate them more correctly.

4772. Having regard to the vast amount of information upon this special Act of Parliament, which would necessarily be found in a central office, is it your opinion that a certificate of a barrister or a certifying officer, whatever he might be called, would be of great advantage?—Not unless it bore with it the weight that it certified the rules to be in accordance with law.

4773. From your experience of the number of cases in which disputes have arisen as to whether the rules were or were not in accordance with law, do you think that there would be any practical difficulty in having rules certified in the way which you think desirable?—I think not. I think that if you had a power to decide a disputed question when it arose, there would be no difficulty in stating a case to the court and getting an authoritative decision, and that it would soon settle all points which might arise.

4774. In your building societies, have you many cases of disputes?—Very few.

4775. Do you think that the certifying barrister, or his office in London, might well undertake the settlement of any disputes which may arise?—I should prefer the local tribunal, namely, the county court.

4776. Would not the county court be ignorant of many matters relating to building societies; I allude particularly to the laws and rules of management, things with which the certifying barrister would be very much more familiar?—Hitherto, the Acts regulating building societies have been so short, and the new Bill would be so short, that I take it there would be no difficulty in a county court judge being as well acquainted with that Act as with any other.

4777. Starting with the basis that the rules put before him are final?—I do not care whether you start from that basis, or that they are merely registered, and that he is to inquire into the law. If they were made final, of course it would simplify his duties, and sometimes relieve the society from needless litigation. Two years ago our society, and the Northern Counties' Society, had a Bill filed against us entirely on that ground, that we each had a rule said to be contrary to law; our preference shareholder rule, and the Northern Counties Societies' general borrowing rule. The Bill was filed by a gentleman who had been solicitor to the Northern County's Society, and who had been dismissed, and the bill against us was filed entirely from vindictive motives; the Vice-Chancellor so decided, and ordered the bill to be taken off the file, which was the first case, I believe, in which it was ever done. In the case of the Northern Counties' Society, they were put to the expense of arguing the rule, and

it was decided to be legal, but last year they paid 338*l.* for the costs of that suit.

4778. I gather from your answers that you wish the office of the registrar or certifying barrister to be continued, but that you would enlarge the powers?—I would certainly enlarge the powers, if the office is continued. I would give him power to decide. I take it that there is no use in the certificate at present, except the mere fact that it gives a constitution, which a registration would also do.

4779. Supposing that the certificate carried with it the impress of authority that those rules were good in law, then you think that the office of certifying barrister, or registrar, would be a very valuable one?—A very valuable one.

4780. With respect to winding up, would you allow of winding-up without any appeal to the certifying barrister? assuming for the moment that the office would be enlarged, and greater powers given?—That is, to place the control of the winding-up in the certifying barrister?

4781. Yes?—I think that it would be better in local hands. I know that the late Mr. Tidd Pratt had the idea of having it in the registrar's office, and in consequence of conversation with him, I considered that subject for some time, and on the whole, I consider that it would be better done locally than by any central office in London.

4782. To prevent the encouragement of litigious members, do you think that any application should be made to the central office, before any formal application for winding-up was made?—It might be a very useful preliminary, if the central office was so extended, to have an inspection and investigation from that office.

4783. My question has reference more particularly to the injury which must result to a society from a mere application to wind up, and the shaking of confidence in the working classes. Having regard to that, do you think that some preliminary certificate would be desirable from the central office?—I think that there are many cases in which it might be useful to have that preliminary certificate, although if the ground for applying for a winding-up order was the neglect to pay a judgment debt, I do not see that any advantage could accrue; but if it was in consequence of having neglected to carry out the rules, or from having done things not within the scope of the society, all of which are proper things on account of which to wind up the society, then, I think that it would be well to have a certificate of the nature which you speak of from the registrar's office.

4784. I apprehend that the fact of a judgment having been obtained and not satisfied, would of itself be sufficient without troubling the registrar?—I think so.

4785. But for all other objects of winding-up, do you think that the certificate of the registrar should be made necessary?—I think that it might be valuable. I have never thought of it before, but it appears to me that having reference to the object which you have in view, of not unnecessarily shaking confidence in the society, and the fact that the registrar has all the matter before him, and could send down somebody to inspect and report to him, it would be a very valuable enactment.

4786. Carrying the matter a little further—assuming that winding-up orders had been obtained and dealt with, ought the results of those winding-up orders to be registered in the central office in London?—Certainly. If there is a central office in London it ought to have a complete register of the societies.

4787. Do you think that future legislation should provide that in all societies there should be a balance sheet published annually or periodically?—I think so.

4788. And do you think that there would be any difficulty in framing a schedule which should embrace all the objects of a building society, with the view to having uniformity?—I think that schedules might very easily be so framed.

*Mr. T. Y. Strachan.*

20 April 1871.



Mr. T. Y.  
Strachan.  
20 April 1871.

4789. And if easily framed, very desirable?—Certainly. It is certainly desirable that if balance sheets are required, and are to be registered, they should be as nearly as possible in some uniform shape, in order that you may tabulate and compare results.

4790. At the present moment, although reports may be issued by various societies, I apprehend that I am correct in saying that they are really no index of the soundness or unsoundness of the societies?—That is so in some societies, but it is not so in the majority of the societies (I think I may say all) whose statistics I have laid before the Commission to-day.

4791. I am referring more particularly to reports, and not to audited balance sheets?—The reports with us are merely putting a few words to some of the figures.

4792. Then I am right in assuming that reports of themselves are no true index of the solvency or insolvency of the societies?—Not reports separate from a proper balance sheet.

4793. Therefore you think that in future legislation the publication of balance sheets should be made compulsory?—Decidedly.

4794. A copy of the reports and balance sheets should, I apprehend, be deposited with the registrar?—Yes, and if so they ought to be tabulated by the registrar.

4795. At the present moment there is no record of the number of societies, or of the amount of capital invested in building societies in the kingdom?—None whatever.

4796. From your great experience could you give the Commission any idea of the amount?—I have never been able to satisfy myself as to the amount. I remember seeing on one occasion an estimate in which it was mentioned that the annual income was 4,000,000*l.*, but I think that that is very rough and very small, because we have a building society in London advertising that its annual income is 1,000,000*l.*

4797. When you say 4,000,000*l.* income, you do not mean 4,000,000*l.* subscription, but amounts deposited by way of loan, and from all sources?—Yes.

4798. Is it your opinion, from the experience which you have gained, that 4,000,000*l.* would not represent the annual subscriptions to building societies?—It would not represent them. I take the society which I have mentioned in London, who from all sources have 1,000,000*l.*; taking Newcastle as another instance, there is two thirds of a million.

4799. Up to the present time the failures of building societies have, I think, been very rare?—Very rare.

4800. In relation to the amounts dealt with by these societies, the failures are almost infinitesimal?—Yes, both in relation to the amounts dealt with, and the number of societies existing.

4801. In your district, where there is two thirds of a million received annually, what is the number of societies which have come to grief?—I only remember one society which may be said to have come to grief.

4802. Then, although the managers of these societies act *ultra vires*, their acts have not been productive of a vast amount of evil?—They have been productive of a great amount of good, I think, although they are *ultra vires* to some extent.

4803. (*Chairman.*) Have you any remarks to make with reference to the settlement of disputes?—The present Act authorises arbitration, but my experience tends to give me no great confidence in arbitration, and I should prefer that the dispute should be settled by the county court judge, or if authority was given to the registrar, by the registrar; but the advantage would lie with the local judge. It has always been a difficulty in friendly societies with large operations, that the arbitrators being at the head office, such a mode of settlement in the case of a branch, instead of being a cheaper mode to the poor people interested, was a more expensive mode, by taking them to a great distance; and that seems to me to have some weight in considering whether or not the registrar should be the tribunal to settle the dispute. The county court being at every man's door, and the county court judge being a competent judge, I think that the county court is the better tribunal.

4804. But that question of expense hardly applies to building societies, does it, the members of which mostly live near together?—It would apply, if the registrar in London was to be the tribunal.

4805. But would it be an objection to arbitration?—My objection to arbitration is the expense and the uncertainty, and in some cases the total valuelessness of the decision.

4806. (*Mr. Bonham-Carter.*) That would arise from the inability, and perhaps somewhat from the partiality of the arbitrators?—Yes. I appealed to arbitration in one case in which I was an executor, where I thought that the society were treating us very unfairly, and three gentlemen, who were local magistrates, were named arbitrators. They had a sitting of about three hours, and the expenses on both sides were about 15*l.*, and they gave a decision which could not be called a settlement of the question in dispute, which was whether we were entitled to four per cent. or five per cent. upon a contract, and they split the difference, and gave us four and a half per cent.

4807. Were lawyers employed in that case?—Yes.

4808. Might not the 15*l.* have been run up before the county court judge by the employment of lawyers?—No. I think that in that case the arbitrators had one or two guineas a-piece for sitting to give this valuable decision.

4809. You think that a county court judge would be more impartial than an arbitrator, and would be less expensive?—Yes, and would give a more satisfactory decision; and independently of the question of impartiality would be in a better condition to arbitrate.

4810. (*Mr. Richards.*) I suppose that you are referring to building societies, and not to friendly societies proper?—I refer to building societies.

4811. What is the usual term for which borrowers make payments?—The usual term extends from 5 to 20 years, but a great number of transactions have taken place lately upon the 20 years' system.

4812. Would 20 years, generally speaking, enable a member, by payment to the society of an equivalent to what he would pay in rent, to become the owner of his own house at the end of that term?—In many cases it would do so; in cases where a member is letting off a part of a tenemented property, the payment to the society would be less than the rents.

The witness withdrew.

Mr. T. Y.  
Strachan.

20 April 1871.

No. 1.—BUILDING SOCIETIES in NEWCASTLE and GATESHEAD.

(Referred to in answer to question 4602.)

No. of Y. existed.	Name of Society.	RECEIPTS.				PAYMENTS.					Proportion of Expenses Amount turned over.			
		From Members.		Loans, Preference Shares, and Bankers.	Other Receipts.	To Members.	Interest on Loans, &c.	Sundries, including Gifts, of Loans, &c.	Expenses.	Total Turn over.				
		Subscriptions.	Redemption of Mortgages. or Rents.									Advances on Property.	Withdrawals with Interest, &c.	
	PERMANENT SOCIETIES, NEWCASTLE.													
9	Newcastle-upon-Tyne	45,611	22,773	2,055	55,552	78,770	8,686	10,827	26,973	£	734	£	123,990	Per cent. ·583
20	Northern Counties	24,691	9,322	1,240	21,522	35,976	5,875	2,144	12,397		383		56,775	·675
6	Monarch	12,566	4,659	722	26,882	19,206	1,378	3,655	20,252		238		44,292	·431
7	Grainger	15,192	3,674	669	22,554	17,222	2,982	4,053	17,471		356		42,089	·846
5	Town and County	8,348	6,287	567	16,099	19,400	860	2,727	8,146		168		31,301	·536
2	Guardian	5,039	2,038	402	16,440	12,192	693	3,293	9,323		121		23,919	·714
5	Rock	6,408	3,147	413	12,577	16,138	1,771	1,990	3,185		161		29,545	·714
7	Universal	6,815	2,222	432	12,931	15,166	588	1,959	4,527		160		22,400	·714
	Percy	6,070	3,122	231	11,686	11,327	1,147	1,459	7,051		145		21,129	·686
7	Prince of Wales	5,051	4,927	185	6,967	7,619	1,510	1,146	6,780		105		17,130	·613
3	Crown	7,915	1,307	209	6,591	9,706	2,697	1,233	2,268		128		16,922	·799
8	St. Andrews	2,984	324	55	12,613	13,763	374	672	1,083		84		15,976	·526
1	Royal Arcade	2,211	80	286	12,940	13,654	128	248	1,380		106		15,616	·683
6	Victoria	5,225	2,003	242	6,628	8,524	123	1,759	3,550		143		14,999	1·014
8	Reliance	3,896	212	371	7,890	8,683	291	1,209	2,094		82		12,299	·667
	Phoenix	3,608	1,671	160	6,171	4,154	650	1,152	5,577		77		11,610	·663
12	Tyneside	2,815	77	144	7,990	3,735	1,008	502	5,660		52		10,957	·474
9	Walker, Walsend, and Willington	1,530	551	940	4,548	6,380	459	400	289		42		7,570	·555
7	Newcastle and Gateshead	2,732	217	115	3,039	2,890	1,009	417	1,790		57		6,103	·934
2	St. Nicholas	1,738	680	109	2,945	3,247	233	231	1,671		90		5,472	1·644
4	Union	1,701	1,035	85	1,495	1,536	392	363	1,947		78		4,316	1·807
6	Perpetual	2,983	—	82	858	1,355	278	295	1,928		68		3,924	1·733
11	St. John's Westgate and General	1,240	519	15	846	1,049	146	213	1,180		32		2,620	1·221
17	Newcastle Borough	1,655	—	27	712	634	353	362	975		70		2,394	2·923
	Total	178,024	70,847	9,776	278,336	312,366	33,631	39,981	147,407		5,680		536,985	·686



Mr. T. Y.  
Strachan  
20 April 1871.

## No. 1.—BUILDING SOCIETIES IN NEWCASTLE AND GATESHEAD—continued.

No. of Years elapsed.	Name of Society.	RECEIPTS.				PAYMENTS.						Proportion of Expenses Amount turned over.		
		From Members.			Loans, Preference Shares, and Bankers.	To Members.		Interest on Loans, &c.	Sundries, including Repayment of Loans, &c.	Expenses.	Total Turn over.			
		Subscriptions.	Redemption of Mortgages.	Other Receipts.		Advances on Property.	Withdrawals with Interest, &c.							
		£	£	£	£	£	£	£	£	£	£	£	Per cent.	
GATESHEAD.														
7	Gateshead Institute	-	-	-	-	-	-	-	-	-	-	-	-	827
2	Gateshead Borough	-	-	-	-	-	-	-	-	-	-	-	-	492
5	North Durham	-	-	-	-	-	-	-	-	-	-	-	-	898
10	Economical	-	-	-	-	-	-	-	-	-	-	-	-	1,254
1	Temps and Dunston	-	-	-	-	-	-	-	-	-	-	-	-	2,02
2	United	-	-	-	-	-	-	-	-	-	-	-	-	2,064
2	Branding	-	-	-	-	-	-	-	-	-	-	-	-	1,125
		16,329	9,031	693		30,704	23,799	3,737	3,680	25,012	529	56,757		-
TERMINATING SOCIETIES—NEWCASTLE.														
19	Crown	-	-	-	-	-	-	-	-	-	-	-	-	313
14	Exchange	-	-	-	-	-	-	-	-	-	-	-	-	344
10	Sun	-	-	-	-	-	-	-	-	-	-	-	-	822
12	Star	-	-	-	-	-	-	-	-	-	-	-	-	905
11	Globe	-	-	-	-	-	-	-	-	-	-	-	-	1,339
		18,616	13,031	990		20,836	23,631	13,931	2,709	12,931	272	53,474		-
GATESHEAD.														
8	Gateshead Institute	-	-	-	-	-	-	-	-	-	-	-	-	503
9	Gateshead Equitable	-	-	-	-	-	-	-	-	-	-	-	-	1,402
10	Anchor	-	-	-	-	-	-	-	-	-	-	-	-	2,026
		2,282	1,803	1,750		1,321	1,260	1,578	160	4,099	60	7,157		-
	Totals	215,251	94,712	13,209		331,197	361,056	52,877	46,450	189,449	4,541	654,373		694
								413,933						

## No. 2.—PERMANENT BUILDING SOCIETIES IN NEWCASTLE AND GATESHEAD.

Balance remaining as per last Balance Sheet.

(Referred to in answer to question 4605.)

Mr. T. Y.  
Strachan.

20 April 1871.

No. of Years in Existence.	Name of Society.	Due to Members on Shares, with Interest.	Due on Loans, Preference Shares, &c.	Due from Members or Mortgagees.	Surplus after paying all Claims.	Proportion of Loans, &c. to Mortgage Debts.
<b>NEWCASTLE.</b>						
		£	£	£	£	Per cent.
9	Newcastle-upon-Tyne - -	32,597	241,694	291,692	12,116	82·86
20	Northern Counties - -	32,144	94,094	138,997	6,574	67·7
6	Monarch - - -	6,918	76,282	81,871	3,540	93·17
7	Grainger - - -	14,447	78,914	96,897	3,404	81·44
5	Town and County - -	4,924	58,538	64,024	2,171	91·15
2	Guardian - - -	2,298	40,148	44,340	1,271	90·54
5	Rock - - -	5,155	34,447	40,398	928	85·26
7	Universal - - -	2,821	43,904	48,810	1,439	89·95
	Perey - - -	4,667	30,057	35,173	570	85·45
7	Prince of Wales - -	5,054	23,279	29,745	1,800	78·26
8	Crown - - -	11,996	23,710	37,811	1,547	62·7
3	St. Andrew's - -	2,622	18,197	20,941	233	86·89
1	Royal Arcade - -	1,292	11,570	13,196	283	87·68
6	Victoria - - -	1,461	36,786	38,623	1,863	95·24
8	Reliance - - -	2,987	26,405	29,803	1,176	88·6
8	Phoenix - - -	1,068	22,864	24,964	1,638	93·19
12	Tyneside - - -	4,165	11,029	15,663	387	70·41
9	Walker, Wallsend, and Willington -	3,834	10,526	14,953	601	70·39
7	Newcastle and Gateshead - -	4,919	8,716	13,888	264	62·76
9	St. Nicholas - - -	1,922	6,425	5,587	189	74·82
4	Union - - -	1,230	14,140	15,050	316	93·95
6	Perpetual - - -	3,477	5,628	9,482	379	59·35
11	St. John's Westgate and General -	2,713	4,055	6,438	337	62·98
17	Newcastle Borough - -	1,648	7,130	9,084	234	78·48
		156,359	928,538	1,230,430	43,260	75·46
<b>GATESHEAD.</b>						
7	Gateshead Institute - -	5,040	37,164	40,041	1,298	92·8
2	Gateshead Borough - -	2,763	14,485	17,640	363	82·11
5	North of Durham - -	1,600	6,189	8,979	356	68·92
10	Economical - - -	1,853	9,364	11,767	439	79·57
1	Teams and Dunston - -	582	2,763	3,237	—	85·35
2	United - - -	1,492	5,306	6,986	131	75·95
2	Branding - - -	771	2,477	3,302	83	75·
	Gateshead - - -	14,101	77,748	91,952	2,670	85·64
	Newcastle - - -	156,359	928,538	1,230,430	43,260	75·46
	Total - - -	170,460	1,006,286	1,322,382	45,930	81·64

Mr. JOHN WALTER CAMPBELL examined.

Mr. J. W.  
Campbell.

4813. (Chairman.) I believe that you are the secretary of the Working Men's Building Societies of Sunderland?—I am.

4814. Have you had much experience in that position?—17½ years.

4815. I think that you assisted in framing the Bill which was brought in last session with regard to building societies?—I did.

4816. Are there any special points upon which you wish to give evidence before the Commissioners?—I wish to do so, and I have prepared the points. As to the payment of profit out of capital, a building society should only pay such an amount of profit as it has actually realised. I think it almost dishonest to pay what has not been truly made. There are many societies which, if ordered to be wound up, could not pay 20s. in the pound, because their profits are all in the future, and not at present in hand. All building societies should be so conducted that they could at any time really pay the profit declared. However poor a year many societies may have had, yet the reports invariably end with a statement that the directors have much pleasure in carrying 5 or 10 per cent. interest to the credit of the members. I am afraid that many societies which have sustained losses are carrying forward in their books from year to year the amount of such losses, and so putting off the evil day, to keep their credit up. The Durham County Building Society, of Sunderland, had been paying interest out of capital during the last eight years, and has now failed, with losses estimated at 30,000l. I believe that if strong powers had been

given in the Building Societies' Act of Parliament to prevent fictitious profits being paid, that society would not have failed. At the conference of secretaries, which was held at the Westminster Palace Hotel last July, it was stated that if societies should be compelled to pay the actual profit, no building societies would be able to declare any profit for eight or nine years. This statement is not true, as the society which I and others manage declares and pays only the actual profit. I have the statements here to prove it. I contend that in debiting interest a building society is similar to a private mortgagee, who, if he were to lend 1,000l. at five per cent. for a year, should have 50l., whereas many societies would take credit for 100l. at least. Many societies divide the formation expenses over 10 years, others take credit for one year's interest before it has been received or become due. If it is lawful to divide these expenses over 10 years, it is lawful to divide them over any longer number of years. As so very many building societies have failed of late years, and as the profit accounts of many societies are in my opinion so erroneously made out, I think that for the protection of the members, and for truth's sake, a clause should be inserted in the Building Societies' Bill to the following effect:—"No building society established under any former Act, or Acts, or to be established under this Act, shall declare, state, pay, or carry to the credit of any investing or borrowing member any profit, interest, dividend, bonus, or other gain, unless the same has been *bonâ fide* actually realised by and is in possession of such society, and no anticipated interest, profit, or other gain, shall be stated



Mr. J. W.  
Campbell.

20 April 1871.

"or paid by any building society. That before reckoning, declaring, paying, or stating any profit, every building society shall first pay every expense and loss (if any) due, incurred, or outstanding."

4817. How would you enforce that clause?—In the same way as enforcing any of the other clauses of the Act of Parliament.

4818. In what way?—By having a penalty inserted, or leaving it open to a breach of the Act of Parliament, the same as in any other case.

4819. Who would decide whether the clause was carried out or not?—I leave it open to the framers of the Bill.

4820. You have mentioned an evil and you have suggested a remedy, and one question to be considered is, how far that remedy is practicable. Of course the first necessity is that it should be in the power of some one to put your clause in action?—I think that it might be put into action by any of the members.

4821. How are the members to know?—We are bound to make out a balance sheet, and deliver it to every member, under most of the rules which I ever saw.

4822. Would it not then be necessary that a form of balance sheet should be laid down by law?—It would be very useful.

4823. Would it not be necessary in order to carry out your clause?—I think that it would, and at the same time it would be very useful.

4824. Would it be possible in such a balance sheet to define exactly the profits of the society in any one year?—It would.

4825. Does your society publish such a balance sheet?—We do; which I have here (*producing the same*).

4826. I see that these are balance sheets of the Fifth, Sixth, Seventh, and Eighth Working Men's Benefit Building Societies?—Yes.

4827. Are these terminating societies?—They are.

4828. Are they all still in operation?—They are.

4829. Are all these balance sheets drawn up in such a form as that which you have suggested?—They are.

4830. And is one of them a fair sample of the rest?—Yes, and it is worded accordingly.

4831. Then I will take the balance sheet of the Fifth Working Men's Benefit Building Society, from the 27th of September 1869 to the 23rd of August 1870, both inclusive. Will you point out to the Commissioners what particular feature there is in that balance sheet which carries out the proposals which you have made?—In the profit and loss account the profit there stated is actually in hand, not a penny of it anticipated. The balance sheet is divided into two parts; the first is receipt and payment; the second is a statement of profit and loss.

4832. Your point is with reference to the statement of profit?—It is.

4833. And you argue, as I understand, that many societies state in their profits what they have not actually received?—They do, and I have brought the statements to prove it.

4834. In your society the net profit is what it professes to be?—Yes.

4835. But might not those other societies make the same statement as this? and yet what security would there be that that statement was true?—None, except that you have to judge on the face of the statement as to what is expressed.

4836. How do you mean on the face of the statement?—In some of these statements we state in strong language what is the actual profit in hand after every expense has been paid, and without anticipating any of the profits of future years. Those balance sheets which I have brought, do not state that. Many of them are made out in a very mystified way, upon which you can judge for yourselves.

4837. But this statement in my hand is a statement of profit actually realised, and on the credit side there is what the net profit is, by the fifth statement (the preceding statement, I suppose), so much, and from other quarters so much. Surely any other society,

working as one would say fraudulently, might carry those accounts in the same way?—They might, but I think that provision ought to be taken to prevent their doing so.

4838. I understand you to put forward these balance sheets as the balance sheets which you would recommend?—Yes.

4839. And yet so far as I can see, or gather from your answers, under these balance sheets the same frauds might be carried out?—They could not use the same words, "actual profit," and "in hand," and "after payment of all expenses, without anticipating future profits." We use those words in our first balance sheets to show the principle on which we go. If you look at some of the other balance sheets you will see that those words are used.

4840. In these balance sheets there is nothing applying to future profits?—If you look at the first year it states so; if you look at the first year of No. 8 society you will see that no anticipated profits are declared.

4841. Yes, there you have it so. Supposing the balance sheet to be drawn up in that form, what security would you have that it is correct?—You would just have to rely upon the honour of the officers, and the auditors, and the secretary, that what they state is true.

4842. Cannot you rely upon that equally well now?—No, I think not.

4843. Supposing it to be laid down by law that the balance sheet of every society should be in this form, I cannot see that you would have any additional security?—I do not recommend that it should be exactly in my form; I simply recommend that a building society should put down on one side of the account all that it receives, and on the other side all the actual payments, and then deduct one amount from the other, and that the balance on either side should be either the profit or the loss.

4844. Would you suggest that the same penalty which this bill provides for fraud in the case of officers, should be attached to the failing to render such a statement as this?—Yes, the officers of societies declaring fictitious dividends should be liable to punishment. I have extracted from some balance sheets a statement of how they declare their profit. I wish to omit the names. No. 1 society declares that they made 69*l.* 19*s.* 3*d.*, and their actual loss was 82*l.* 9*s.* 9*d.*, and they declared by their balance sheet that they made 10 per cent. interest to investors, and five per cent. to borrowers.

4845. How do you get at these matters?—I take the balance sheets, and extract all that they have actually received in the shape of interest, fines, books, and every other source of profit on one side, and on the other side I put down every expense, and I deduct one from the other.

4846. Then, in fact, their balance sheets are incorrectly framed?—Yes.

4847. (*Mr. Bonham-Carter.*) When you say that you deduct all their expenses, do you deduct all expenses, whether they are distributed over one or more years?—I deduct all expenses for that year.

4848. That is to say you deduct all expenses which are legitimately attributable to that year?—I do.

4849. And no more?—And no more.

4850. (*Chairman.*) Will you proceed with your statement?—No. 2 society declares that they made a profit of 267*l.* 1*s.* 10*d.*, when their loss was 112*l.* 1*s.* 0*d.*; and they declare that they are able to pay 10 per cent. No. 3 society declares that they made 31*l.* 15*s.* 1*d.*, and the actual loss was 11*l.* 12*s.* 9*d.*; they also declare 10 per cent. No. 4 society declares that they made a profit of 236*l.* 7*s.* 7*d.*; they actually made a profit of 4*l.* 15*s.* 6*d.* No. 5 society, which is now in course of liquidation, declares that they made 465*l.* 12*s.* 2*d.*, and their real loss was 309*l.* 12*s.* 2*d.*; they declare 10 per cent. interest and five per cent. bonus. No. 6 society declares that they made 24*l.* 11*s.* 9*d.*, and their loss was 42*l.* 3*s.* 3*d.* I have not the balance sheet of No. 6. No. 7 society

declares that they made 621*l.*, and their loss was 344*l.* 13*s.* 7*d.* I have the balance sheets of all but one society.

4851. (*Mr. Bonham-Carter.*) What dividend did they declare?—Five per cent. in No. 7 society; all the others 10 per cent.

4852. (*Chairman.*) Are those accounts which you have stated all taken from one year?—One and two years.

4853. Have you referred at all to previous accounts of the same societies?—Most of the accounts are of early years, but the same principle applies to nearly all.

4854. Have they been going on in that course for any time?—In the next remarks which I am about to make you will see that five of them have since failed. The risk of lending for 20 years or upwards is my next point. I am of opinion that building societies which lend or rather fasten up their money for long periods, say 20 years or upwards, run immense risk of failure and collapse, because the money so lent belongs to depositors and investing members, who are entitled to receive back that money so fastened up at notices varying from one to six months, and if deposits and shares do not come in to take the place of those moneys withdrawn the society must get into difficulties; and although the rules may have a safety clause preventing investing members only making a run upon it, yet the society cannot prevent depositors from withdrawing, neither can it prevent any member who cannot get his money from petitioning the Court of Chancery to wind the society up. A building society mortgage cannot be called in, nor the subscriptions increased. When once a society has lent for 20 years a member has all that time to liquidate the mortgage, even if the society should be wound up in Chancery. The following societies in Sunderland have failed during the last 12 months, and I attribute the cause to their having tied up their mortgages for long terms, or having paid interest out of capital. I regret not having the sheets to produce of four of the societies, as such balance sheets were not published. The names of the societies are the Sun, the North Durham, the County Palatine, the G—, and the Durham County. They are all permanent societies. I think that powers should be taken to prevent building societies lending for longer than 14 years. The third point is as to power to borrow money. I think that no society can do much good without power to borrow money. 20 years ago it was considered that if a society could lend 1,000*l.* to 2,000*l.* per annum it was very successful, but now nothing less than 20,000*l.* per annum in advances is considered good. If societies should be prevented from borrowing, the business will fall back to what it was 20 years ago. I think that the borrowing powers of societies should be limited to three-fourths of the amount lent on mortgage; that would leave the one-fourth margin in favour of the depositor, and that margin would continually increase as the mortgagor made his repayments. If the societies take care to lend on good securities with reasonable margins in their favour, and as all money must be lent on real security only, and if the depositors can have a preference and a charge on the assets of the society for the amount of deposit and interest, I think that then they cannot run any risk or sustain any loss, provided the society is prevented from lending on mortgage for periods over 14 years. The law seems so doubtful respecting the power to borrow that it would be a great advantage to societies if distinct power were given them in the present bill for that purpose.

4855. I did not clearly understand what you meant by three-fourths of the amount lent on mortgage?—If the society should lend 20,000*l.* in one year, their amount of borrowing power should be limited to three-fourths of that amount, say 15,000*l.*

4856. That is a different thing from the balance due on mortgage, is it not?—It is slightly different, because these balances get less and less; but although they get less and less the society is lending again to

make it up. The gross amounts might not get less and less, but the individual amounts might do so, and it is the gross amounts that you would have to do with. I apprehend that the calculation would have to be based upon the amount of money lent.

4857. What is your next point?—I have no other point. I support the bill generally in all other respects, subject to these remarks.

4858. You have mentioned formation expenses; what do you put down as such?—Publishing bills, notices, advertising in the newspapers to make yourselves known, certifying your rules, your forms, general books of account, and your pass books.

4859. In the societies to which you have referred, what would those formation expenses generally amount to?—About 100*l.*

4860. In a society having any amount of business that is no very large sum?—It is all that is necessary to form even a society of great magnitude.

4861. In a society with any large amount of business it matters very little whether those expenses are paid in the early stage, or are spread over many years?—If the business was an immense one, it would scarcely be necessary to spread them over a large number of years, and they might as well be paid at once; but a society may be either a very profitable or a losing one on the whole, and it may press very hard upon the individual member. For instance, a building society sometimes declares a large percentage, but the individual member does not get it.

4862. Have the societies with which you are connected any reserve fund?—No, we consider that we might as well suffer a loss when it occurs as provide a reserve fund. We have lost nothing for 17 years, our total losses amounted to 90*l.* prior to that.

4863. That loss would fall upon the members?—It did so.

4864. And of course a reserve fund would be so much deducted from their profits, supposing there to be a reserve fund?—Yes.

4865. (*Mr. Richards.*) Am I to understand you to recommend to the Commission that societies should not have the power of lending for a longer term than 14 years?—I do.

4866. By statute?—By statute.

4867. Then although it may appear that by lending for 18 years, an ordinary working man paying to the society an equal amount to what he would pay for rent, would be able to acquire his own house, you think that the risk attendant upon the extension of time beyond 14 years would not be sufficiently compensated for by that advantage?—I do; people weary of their payments after 12 years; but I base my remarks more on justice to the investing member and the depositor. If their money is fastened up for 20 years, how can you pay it back to a depositor who invests at six months' notice?

4868. (*Mr. Bonham-Carter.*) The societies which you have said put forth that they are making 10 per cent., do it on the face of accounts, from which you have deduced, without any difficulty apparently, that they do not make any such amount at all. Is it not competent for the members, or some of the members, to arrive at the same conclusion as you do?—It is, but very few members understand the building societies' accounts. If it is stated on the balance sheet that 10 per cent. is made, they take it for granted. The class of people joining building societies, as a rule, are of the lower order, especially in the north of England, where I come from. My societies were called the Working Men's Building Societies, simply because none but working men joined them when these societies were first established.

4869. Do you think that now the main point at which a working man looks, when he joins the society, is the amount announced as divided on the face of the reports, without any consideration of the figures which are put out?—He asks you in substance, "What are the payments, and how long have I to pay them before I shall have done with the society?"

4870. What is the advantage of having a statement

*Mr. J. W.  
Campbell.*

20 April 1871.



Mr. J. W.  
Campbell.

20 April 1871.

of the dividend being 10 per cent. unless that is to influence an incoming member?—It is to influence them; if you tell them that they will have 10 per cent. they do not inquire into it, and only begin to make a noise if the society gets into difficulties.

4871. The societies with which you have to do are all more or less connected with each other?—We hold them entirely distinct, as if they had nothing to do with each other.

4872. They are connected with each other, inasmuch as they are managed principally by the same staff, so far as regards the president, the secretary, the auditors, and the surveyor?—They are.

4873. You have spoken of borrowing; I see that in the first year of the Fifth Working Men's Benefit Society, your share subscriptions were 2,776*l.*, and you borrowed 11,476*l.*?—We did.

4874. What security was there for that 11,476*l.*?—Nothing but the preference shares.

4875. The whole amount of the subscriptions was only about one fourth of the amount borrowed?—Yes; but the amount lent upon mortgage was, I think, 17,000*l.*

4876. Then in the next year what was the case?—I think that in the next year we reduced the debt. Will you be so kind as to look at the third year?

4877. In that year the cash borrowed was only 626*l.* What is the history of the great change in that amount?—We endeavour to get out as much money as we can in the first years, and to get into as much reasonable amount of debt as possible, and after that gradually to pay it off until we terminate.

4878. In the fourth year you borrowed 1,010*l.*?—Yes, but I think that we paid off more on the other side.

4879. In the earlier of these accounts you put at the foot of your abstract a statement of what your actual profits are in your opinion, and what any other society conducted upon the scheme which you object to would have stated?—Yes, that was simply at the suggestion of some members who attended the meeting.

4880. I see that that has not been carried through?—No, we altogether object to have it.

4881. Then you do not consider that comparison of what you declare *bonâ fide*, and what you think you might declare under other modes of taking the accounts, is essential to the explanation which you have suggested? In your earlier stages of this Working Men's Benefit Building Society, you show a profit which is not large, but you say that if you had kept your accounts differently, and had chosen to do the same as other societies do, you might have shown a larger profit?—Yes.

4882. You afterwards gave that mode of statement up?—Yes.

4883. Then you do not consider that comparison any longer necessary?—No, it was simply put in from the suggestion of some person who came to the annual meeting.

4884. In these earlier reports you do not state the amount per cent. of profit, but in the later ones you do state the amount per cent. of profit?—At the request of either the members, or auditors, or committee we put such things in our statements as they order.

4885. That, in fact, is a variation from the model

The witness withdrew.

Mr. JOSIAH SAMUEL PARKER examined.

4900. (*Chairman.*) I believe that you have been connected as an actuary with a good many of the London building societies?—I have.

4901. Can you state any of those societies of which you have a special knowledge?—I think that I have been actuary to 23 altogether, or over 20. There are the Borough of Finsbury Society, the Richard Green Society, the Professional, the Carlton, the Richmond, the Civil Service, the City of London, and several others.

4902. Have those societies adopted tables drawn up

form which you thought best?—The principle is the same, but the rate of interest is not calculated and put in.

4886. These societies, appearing to be connected officially, though not connected as far as regards funds, are under the presidency of Mr. Neilson and Mr. Branfoot. Is it the practice that as soon as one society terminates you commence another, or what is the regulation by which fresh societies are started?—I commence a building society almost annually. Whenever I see that the number of applicants for shares and for loans upon mortgage are sufficient to induce me to commence a building society I commence one, but not otherwise.

4887. Have you ever considered whether it is possible to convert this series of terminating societies into permanent societies?—Yes.

4888. Have you done so?—I have not carried it out, because so much can be said against it.

4889. From your experience of working men, are you rather in favour of the terminating than the permanent societies?—They both have their advantages and disadvantages. In a permanent society a man can join at any time, and have no back payments; whereas in a terminating society he must commence at one day and end at one day. The great drawback to a permanent building society is, that after a man has been an investor for five years, if he wishes to borrow his account is closed, and the amount is either left standing to his credit or handed back to him, and his new period of repayments commences from the date of his mortgage deed, in the same way as if he had had no previous connexion with the society. Not so with a terminating society. If you have been in a terminating society five years and wish to borrow, if it is upon my principle you pay for five years more and then have done with it.

4890. (*Mr. Richards.*) You pay five years' redemption?—You have been five years an investor and five years a borrower, and then you have done with it.

4891. Your tables are calculated to work out in 10 years?—Yes.

4892. (*Chairman.*) Have you any permanent building societies in Sunderland?—Yes, there are 60 building societies altogether in Sunderland, of which 20 or 25 are permanent. With the exception of one permanent society, which lends perhaps 25,000*l.* a year, they are about equal in the amount of business done.

4893. Are there any land societies in Sunderland?—There is one.

4894. Has it any connexion with any of the building societies?—None whatever. One building society bought land and built houses, and could not sell them, and they remain unsold.

4895. Was that a society in Sunderland?—Yes.

4896. What was its name?—The Durham County.

4897. It has failed?—Yes. Mr. Strachan was an auditor in that society.

4898. (*Mr. Richards.*) How many societies within your knowledge have failed in Sunderland?—Say 10, to be safe.

4899. Out of how many that were established?—They vary by continually terminating. There are 60 now in existence, and six have gone during the last 12 months.

by you?—No; the tables were drawn up previously to my being connected with them.

4903. Then your connexion with them has been by way of investigation into their position?—Yes.

4904. Have any of those societies failed?—None of them.

4905. Is there any special point upon which you wish to give evidence to the Commissioners?—I have looked over the bill of last year relating to the societies, and one or two points in it struck me.

4906. Will you mention those points?—One point

Mr. J. S.  
Parker.

is, that the bill seems to contemplate societies speculating in land, as well as lending on mortgage of buildings.

4907. (*Mr. Richards.*) Do you refer to clause 20?—No; I was referring to clause 8, which is, "Any number of persons may establish a society under this Act for the purpose of raising by the voluntary subscriptions of the members a stock or fund for enabling any member to receive out of the funds of the society an advance upon security of freehold, copyhold, or leasehold estate or heritable estate by way of mortgage, conveyance, or bond and disposition in security."

4908. (*Chairman.*) What are your views with respect to that matter?—I think that it is not desirable that building societies should be permitted to speculate in land. I think that that is more the province of a joint stock company. For instance, if a society purchases land for the purpose of selling it to its members, it is more in the nature of a speculation than in the nature of an investment of funds.

4909. And therefore it renders the society liable to failure?—Yes.

4910. Have any cases come under your notice in which societies have failed from that being done?—No. Building societies, I think, at present cannot do it; that is properly the province of a joint stock company.

4911. But you are probably aware that such societies are registered as building societies, and yet are practically land societies?—I have not met with any which have done that.

4912. I think that your knowledge as to building societies is principally of permanent and of Starr-Bowkett societies, is it not?—It is so.

4913. Is there any other point in the bill to which you wish to refer?—There is a clause respecting the winding-up, clause 29, it says: "A society under this Act may be wound up voluntarily by the votes or consent of five-sixths of the members." It seems to me that this clause is founded upon the clause in the Friendly Societies' Bill, and I do not think that that applies to a building society, for this reason, that in a friendly society the benefits which the members subscribe for are limited, but in a building society they are not limited, and therefore a certain account should be taken of the value of each member's interest in the society in taking the votes.

4914. The period for which a member had belonged to the society was taken into account, I think, under the old Act of the 10th George IV., section 26?—Yes, the period during which he had been a member was taken into account, but no account was taken of the amount of his interest, because no friendly society member could, for instance, insure for more than 200*l.* In a building society there may be 50 members having only a few pounds in, and there may be half a dozen having thousands in. Time is an important element of value to a friendly society member, but not so to a building society member.

4915. What alteration in that clause would you suggest?—I should suggest a majority in number and three-fourths in value, upon the principle of the Bankruptcy Act.

4916. Is there any other point in the bill upon which you wish to remark?—Clause 36 provides for the preparation of an annual or periodical statement of the funds. I think that it would be as well if societies were to prepare returns which should be registered year by year, and that the returns should show the actual value of the mortgages to the society.

4917. Would you propose that each society should be compelled, as a condition of registry, to send a statement of its accounts yearly to the registrar?—Yes, in the same way as the friendly societies do. I think that the Act should provide a special form for it.

4918. Have you at all considered what that special form should be like?—No, I have not drawn up anything, but I think that it should specify what assets of the society consist of principal, and what consist of interest undivided, and my reason is, that many

societies in their balance sheets put down as assets amounts secured by mortgage deeds. Now the amounts secured by the mortgage deeds include both principal and interest; it is impossible, without calculation, to say what portion of the amount outstanding is principal, and of course the whole is not an asset while the interest is unrealised. Therefore, I think that all returns given should clearly show what is principal and what is interest in the mortgages of the society.

4919. Do you think that any special precautions should also be taken in such accounts, to secure that only the profits actually realised should be entered as profit in the profit and loss account?—If any precaution can be taken, I think that it should be.

4920. Can you suggest any precaution?—The only precaution which I know of is having an actuarial valuation of the mortgages, but some societies do not think that necessary. Then, again, if there is a valuation at all, it should specify upon what principle the valuation is made. I know of one society where a certain amount, about 23,000*l.*, lent by the society, was valued by the actuary a few months afterwards at 24,000*l.* odd, so that there must have been an incorrect principle of valuation; inasmuch as, some repayments having been made, the value of the mortgages must have been less than the amount actually lent.

4921. Is there any other clause of the bill to which you wish to refer?—I see that the bill gives unlimited power to borrow. I do not altogether approve of that. I think that it would be an element of weakness in many societies if they borrowed excessively.

4922. What limit do you think would be advisable?—I should limit it to a certain proportion of the subscriptions received, either three-fourths or five-sixths, of the subscriptions actually received. If you take any limit based on the amount secured by mortgages you are practically unlimited, because, of course, as you lend out money on mortgage which you borrow you may also borrow still further.

4923. But the subscriptions received are liable to withdrawal, are they not?—Yes.

4924. Therefore how can you take what may be continually fluctuating as a basis upon which to borrow?—The mortgages also must be continually decreasing. Whatever you take as the basis must fluctuate.

4925. Mortgages might vary from time to time, but to whatever extent they go they are a tangible security?—Of course, if they are good mortgages.

4926. Supposing the limit to be a certain proportion of the balances due upon mortgage, that of course might vary with the amount on mortgage, but it would be, so far as it went, tangible and substantial, would it not?—It would certainly be a security for a loan.

4927. It is certain that it has to be repaid, whereas nobody can tell how soon or how late the shares may be withdrawn?—Just so, but in either case the shares could not be withdrawn until the loan was repaid, or at any rate the management would take care to keep sufficient in hand from the repayments to cover any loans that were likely to be called in. It is the non-payment of withdrawals at the expiration of notice which weakens a building society, and may ultimately cause a collapse.

4928. Then with regard to subscriptions, are you speaking entirely of advanced members of the societies?—No, I mean subscribing members. The object of my suggestion is rather to preserve as the main capital of the society the members' subscriptions, and for the working capital of the society to be not a borrowed capital.

4929. Your view is to secure that, rather than provide a security for the loans?—Yes.

4930. Do you not think that it is necessary that there should be some security provided for the loans?—Yes, I think that some security should be provided for the loans. Whatever loans were received would be invested in mortgage, in the same way as the subscriptions.

*Mr. J. S. Parker.*

20 April 1871.



Mr. J. S.  
Parker.  
20 April 1871.

4931. Have you any remarks to make upon the relative advantages of the permanent, and the Starr-Bowkett Societies?—I think that the permanent societies are the best. They are the most stable if properly managed, but I think that Starr-Bowkett Societies are very suitable for the working classes.

4932. Why do you think so?—Because the subscriptions to the Starr-Bowkett societies are small, and when a man borrows he has not to pay any interest, and therefore he has a better opportunity of purchasing his house, and so gaining a benefit from the society. Few of the working classes can join permanent societies and buy their houses through them.

4933. Are the tables of the societies with which you are connected the same, or do they differ?—They vary,—they are mostly framed upon the same principle—the principle upon which they are framed is, that they take say 4 per cent., or  $4\frac{1}{2}$ , or  $4\frac{3}{4}$  per annum on the whole amount, for the whole term, add the interest to the capital, and divide the total by the number of months for which the money is to be advanced, or the number of months in the term. You may say that it is virtually no principle at all.

4934. Were those tables drawn up by any particular actuary, or have they been framed by the officers of the various societies?—I presume that they were framed by the officer of the society. I do not think that an actuary would draw up a table in that way, he would make the actual working rate of interest more uniform.

4935. In your reports upon these societies, have you represented the incorrectness of their tables?—Yes. There is one society which I valued some time ago, in which the rates of repayment were calculated on the basis of  $4\frac{1}{2}$  per cent. per annum being paid upon the whole principal, for the entire term. The difference in the actual rate of interest realised by those loans was as much as  $1\frac{1}{2}$  per cent. per annum in the short terms as compared with the long ones, that is to say, a man borrowing for one or two years would pay an actual rate of interest of something like  $8\frac{1}{2}$  per cent., whereas a man borrowing for 20 years pays a rate of interest of  $7\frac{1}{2}$  per cent.

4936. Did you remark upon those tables to the directors of the society?—I did so in my report.

4937. Did they take any action in consequence?—Not that I am aware of; they preserve the tables still.

4938. In your opinion, is there danger of these societies failing in consequence of the incorrectness of their tables?—No, I do not think that there is any danger of their failing in consequence of it, the only thing is that it is not fair to the borrowers. The borrowers generally do not know what actual rate of interest they pay. If a man borrows for a short term, he should pay a rather lower rate of interest than a man who borrows for a long term, inasmuch as for a short term mortgage, the society's security is monthly increasing to a much greater extent than it is when the mortgage is for a long term.

4939. But of course the borrowers need not borrow unless they wish to do so?—Of course not; it is entirely a matter for the borrowers to consider for themselves.

4940. For that reason the question of tables is not of the same importance in building societies, as in friendly societies?—No, in friendly societies it is a matter for the safety of the society, but it is not so in a building society.

4941. Is there any other point to which you wish to refer?—No.

4942. (Mr. Richards). If you would only allow loans to be made in relation to the amount of subscriptions received, how would terminating societies be enabled to borrow sufficient in the earlier periods of their existence?—My remark did not refer to the terminating societies, because, of course, they must borrow the best part of their capital to start with. If you limit their borrowing powers upon the basis of their existing business, whether mortgages or subscriptions paid, they could not be satisfactorily worked.

4943. How would you deal with terminating societies?—I do not know how I should deal with terminating societies. I have not given much attention to them.

4944. Do you know the rate of interest which is paid to lenders by the bulk of your societies?—From six to seven and a half per cent.

4945. What do you calculate that the borrowers pay?—From seven to eight and a half per cent.

4946. Then the difference of the one or one and a half per cent. between borrowing and lending is the source of profit, plus fines, and other incidental payments?—Yes, it pays for management.

4947. And that, I suppose, is sufficient?—Yes, that is sufficient. The management is generally found to be met by the fines, entrance fees, and so on.

4948. Then what becomes of the accumulated profits arising from the difference between the rate of interest paid and the rate of interest charged?—The rates I have specified are the extremes of all the mortgages in all the societies. They may not apply to each society. There may be an excess in one and a deficiency in another; but in the bulk there is a larger amount of mortgages effected at 7 or  $7\frac{1}{2}$  per cent. than at 8 or 8 $\frac{1}{2}$ .

4949. But you say that you pay your lenders six or seven per cent.?—We pay the lenders from six to seven and a half per cent. in different societies, in some more, and in some less; it is according to the business done during the year.

4950. I understand you to say that the average of the borrowers' rate would be from seven to eight and a half per cent.?—I do not know what is the average, the rates fluctuate from seven to eight and a half. I should say that the average rate is seven and three quarters, or less than that.

4951. Paid by the borrower?—Paid by the borrower; and the average rate of dividend I should say is seven per cent.

4952. Do you think that the great amount of capital which is invested in the way of loan to societies in London, arises from the fact of the rate of interest being so high as that mentioned by you; is it the temptation of a high rate of interest which causes deposits?—I think so, because building societies are considered to be very safe as well as giving a high rate of interest. People do not think that at some future day there may be delay before they get their money back again; though it is possible that they may give notice to withdraw, and not be able to get their money immediately after the notice expires.

4953. But practically that has not happened in a large number of instances, has it?—No, not in a large number of instances, but it is a contingency which might occur.

4954. Do you think that if the rate of five per cent. interest were adopted, there would be a cessation of bringing money into the coffers of these societies?—Do you mean five per cent. upon the deposit shares?

4955. Yes.—I think that it would retard it to a considerable extent.

4956. (Mr. Bonham-Carter.) You stated that the tables were generally framed upon four, four and a quarter, and four and a half per cent.?—Yes; some were lower. They took a certain fixed rate of interest upon the entire capital, which should apply over the whole term.

4957. Have you any opinion as to what should be the rate of interest which should be adopted?—I think that the fairest rate of interest, as between lenders and borrowers, should be calculated as paying a current interest of from seven to eight per cent. per annum.

4958. Do you know at all upon what grounds the different rates are taken? Is it that the directors have more confidence in their judgment in some instances, or that one society is a more speculative society than another?—It is not that. I think that most societies have copied from some previously established society, and they have adopted the rates without thinking what they paid.

4959. Have you drawn up tables yourself?—I have calculated tables at all rates of interest from six and a half to eight per cent.

4960. Has it been upon request, or as advised by yourself?—I calculated them recently, for the purpose of giving advice to a society which was about to be established.

4961. What was your table calculated upon?—I was asked to supply a table which should produce a current rate of interest at eight and a quarter per cent., and to obtain that I calculated a nominal annual rate of interest of eight per cent., which is about the same. Of course I supplied a table to suit a certain case. At the same time I calculated several others, because I thought that the rate specified was too high a rate of interest to ask a borrower to pay.

4962. Am I to understand that to be, not the repayment of capital, but actual interest?—It is actual interest. The monthly repayments include both capital and interest, and, of course, I take it that the capital is decreasing every month; hence the difference between the nominal annual and the actual current rate of interest.

4963. You have been connected with these 23 societies. In what way have you been connected with them? Is it from advising them as to an alteration

of the tables, or as to their financial condition?—In valuing their mortgages, with the view of enabling the management to judge what is the actual value of their assets. *Mr. J. Parker.*  
20 April 1871.

4964. Have you found that they either are not aware of their assets, and are not competent of themselves to ascertain what they are, or that they have a very erroneous estimate of what their assets are?—They are not competent themselves to say what are the present values of the mortgages.

4965. Have they no idea amongst themselves of what the value of their property is?—They may have an idea, but as the monthly interest and the monthly repayment of capital is constantly varying, and varying in an increasing ratio, they have rarely the mathematical knowledge to make the necessary calculations.

4966. Then they have called you in as an accountant and valuer, rather than as an adviser as to the tables themselves?—Just so.

4967. Do you find a very large difference between these societies?—No, there is not a very large difference, but a very small difference in the monthly payment will make a difference of a quarter per cent. in the rate of interest.

4968. (*Chairman.*) Is there any other statement which you wish to make?—No.

The witness withdrew.

Adjourned to Friday, the 28th instant, at half-past 11 o'clock.

Friday, 28th April 1871.

PRESENT:

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

SIR SYDNEY H. WATERLOW.  
JOHN BONHAM-CARTER, Esq., M.P.

EVAN MATTHEW RICHARDS, Esq., M.P..  
CHARLES SAVILE ROUNDELL, Esq.

MR. THOMAS DAWSON, MR. JOHN WILLIAM MIDDLETON and MR. THOMAS FATKIN examined.

4969. (*Chairman to Mr. Dawson.*) I believe that you are the President of the Leeds Permanent Benefit Building Society?—I am.

4970. What positions do the gentlemen who are with you hold?—Mr. Thomas Fatkin is the paid secretary to the society, and Mr. John William Middleton is one of the firm of solicitors to the society.

4971. How is the society managed?—By a board of directors, consisting of 17 members.

4972. Are they elected by the members of the society?—They are. I may say that the board consists of 17 members, three of whom are trustees elected by the members, and who are considered permanent officers. The three trustees are *ex officio* members of the board; the remaining 14 are elected from amongst either the investing or borrowing members at the annual meeting of members for two years, and at the expiration of their term of office they are eligible for re-election. Seven are elected annually.

4973. Do the investing and borrowing members take an equal part in the management of the society?—They do.

4974. I see that the objects of the society are stated in its first rule?—Yes, to afford facilities to the working classes for the investment of small savings at a fair rate of interest; to afford facilities to the members so desiring for becoming the owners of their own house or houses; to afford facilities to those of limited incomes to pay off private mortgages; and, as respects those who are unable to become members, the society receives their savings as deposits in sums of not less than 5*l.* at four per cent. interest.

4975. That last object does not, I think, appear in your first rule?—No, it has reference to loans.

4976. How do you account for that?—We have a

rule under the head, "Trustees may borrow money:" "That the trustees for the time being may from time to time, as occasion may require, borrow and take up at interest any sum of money from any banker with whom the funds of this society shall be deposited, or from any other person, to procure which the trustees may give their own personal security, and they shall be indemnified out of the first funds of this society which shall be received."

4977. Is that rule now followed out by you?—It is.

4978. Are all the deposits of which you have spoken lent upon the personal security of the trustees?—They are.

4979. What is the rate of interest which you allow to investors?—Four and a half per cent., which is compounded monthly.

4980. What is the rate of interest charged to those who borrow, and who are not members of the society?—Four and a half per cent. I should say that by borrowing they become members; they are then called borrowing members.

4981. What is the rate of interest which is paid on deposits?—Never more than four per cent.

4982. Can you give us some figures to show the extent of the operations of your society?—Yes. The present number of depositors on the loan account is 1,980. The amount owing to depositors at the present time is 171,000*l.*, the average amount owing to each depositor being about 90*l.* Then the amount of interest paid to depositors on loans since the establishment of the society is 43,779*l.* 1*s.* 8*d.* The total amount of income to the society from the commencement is 2,725,338*l.* 10*s.* 8*d.*; that is from all sources.

4983. When was the society founded?—In 1848.

*Mr. T. Dawson.*  
*Mr. J. W.*  
*Middleton.*  
*Mr. T. Fatkin.*

28 April 1871.



Mr. T. Dawson.  
Mr. J. W.  
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28 April 1871.

That amount makes an average income of 123,879*l.* per annum.

4984. Can you divide that income into its separate sources?—The income last year was 253,154*l.* 8*s.* 6*d.* I can read to you the particulars from all sources from the balance-sheet:—"Balance owing by bank last year, 4,368*l.* 6*s.* 6*d.* Contributions, 134,024*l.* 11*s.* 8*d.* Amount received from 1,541 and one-fifth paid-off shares, 47,525*l.* 12*s.* 6*d.* Loans, 61,704*l.* 9*s.* 3*d.* Ditto, being amount of unclaimed interest capitalized, 2,682*l.* 1*s.* 4*d.* Interest on back payments, 81*l.* 2*s.* 3*d.* Insurance repaid, 294*l.* 19*s.* 8*d.* Rules and members' cash books, 41*l.* 3*s.* 4*d.* Entrance fees, 597*l.* 8*s.* 8*d.* Surveys repaid, 427*l.* 3*s.* 6*d.* Deductions on shares withdrawn and paid off, 440*l.* 18*s.* 6*d.* Interest from suspended shares, 50*l.* 9*s.* 0*d.* Interest allowed by bankers, 126*l.* Fines, 344*l.* 12*s.* 1*d.*" Then there are "Miscellaneous receipts, viz., expenses on sundry estates repaid, 24*l.* 12*s.* 6*d.* Fines on arrears of insurance premiums, 1*l.* 3*s.* 9*d.* Sundries, 1*l.* 1*s.* 2*d.* Uncashed shares on November the 5th, 1870, 418*l.* 2*s.* 11*d.*" Those items make the 253,154*l.* 8*s.* 6*d.* receipts for last year.

4985. Under the head of "contributions," what does the word "contributions" mean?—The total of the members' payments of 2*s.* 6*d.* a week per share.

4986. The payments of investing members?—Investing and borrowing.

4987. It does not include loans?—Not at all.

4988. The loans are stated at 61,704*l.* 9*s.* 3*d.*?—Yes.

4989. Does any part of that consist of loans from bankers?—No, it is all from private individuals.

4990. What is the meaning of "amount received from 1,541 one-fifth paid-off shares"?—Persons paying off the mortgage money which they have borrowed; paying off so many shares. If we lend money to a man we grant him so many shares, and if he chooses not to run the whole 13 years and 7 months, which he could take to pay off the money, he can pay it off earlier, and comparatively very few persons run the whole 13 years and 7 months. A man can come and pay off in four or five years, and these persons have paid off their shares before the time was up. It is just like a man paying off his mortgage. That is all principal, no interest is charged there, and no expenses are charged; there is no prospective interest—in short, any man who borrows from us simply pays four and a half per cent.

4991. For the time which you have named?—Yes, for as long as he has the money.

4992. You named a term, I think?—Yes, a person can be 13 years and 7 months.

4993. That is the regular term?—Yes, but he can pay it off in six years if he likes, and he has only paid  $\frac{1}{2}$  per cent. for the time for which he has had the money.

4994. What is the item "amount of unclaimed interest capitalized"?—If a person does not take his interest, we capitalize it, and allow him interest upon the capital which it has become.

4995. In fact he leaves it in your society?—Yes.

4996. Do you allow the same rate upon that as upon the original capital?—Yes, because it becomes capital.

4997. Is it a common practice with your members to leave the interest in?—Yes, very common.

4998. How often do you capitalize it?—Half-yearly.

4999. On the opposite side, under the head of payments, I see "Contributions withdrawn, 59,873*l.* 7*s.* 8*d.*" What is your rule as to withdrawals?—Those are entirely investors' contributions. We require a month's notice before they can withdraw. They have given a month's notice, and after giving us a month's notice last year they have withdrawn 59,873*l.* 7*s.* 8*d.* That is by virtue of rule 107, which is, "Any member not having received an advance, and who shall be desirous of withdrawing from the society any share or shares held by him, shall give at

least one month's notice (to expire on one of the society's month days) of such his desire."

5000. Then by rule 110 I observe, "The directors shall have power to limit the number of shares that shall be withdrawn in any month"?—That is so.

5001. Is there practically any limit upon withdrawals beyond the month's notice?—We have never had to resort to the rule. I may say that it is more the other way than that.

5002. Do you mean that you have more money than you know what to do with?—If a man came and said that he wanted his money in a week we would accommodate him.

5003. I see that you pay interest upon shares withdrawn?—We paid 7,351*l.* 2*s.* 0*d.* last year as interest on shares withdrawn, and amongst the liabilities there is 26,653*l.* 16*s.* 3*d.* for interest which we owed, but that was not withdrawn. I explained that the amount withdrawn, namely 38,000*l.* odd, was all principal.

5004. My questions had reference entirely to contributions withdrawn?—Both the contributions and the loans are all principal; the interest is specified separately.

5005. Do you pay any bonus to the investing members besides their dividend of four and a half per cent.?—We do. The borrowers get the same; they all share alike. I have particulars drawn up with regard to that point. As already explained, the society allows four per cent. for deposits on the loan account. From this source there was a profit last year of 700*l.* There was 597*l.* 8*s.* 8*d.* received for entrance fees. There was a profit from forfeits for non-payment of contributions of 275*l.* There was 33,500*l.* in advance of the regular contributions, upon which the society pays three per cent.; consequently the profit from this source is 503*l.* These amounts make a total of 2,075*l.* 8*s.* 8*d.*, leaving a balance of profit of 465*l.* 10*s.* 11*d.* We divide the difference equally as a bonus amongst the investing and borrowing members.

5006. Do you carry anything to a surplus fund?—No; we carry forward fair amounts, but not with a view to hoarding a surplus fund; never more than 1,000*l.* or so.

5007. You mean, I suppose, that you give the same bonus per cent. both to investors and borrowers?—Yes, per share. We do not give any bonus to those who lend us money on loan. The total amount which members have got in bonus during the last 13 years has not been more than 15*s.* per share.

5008. What is the amount of your shares?—120*l.* 4*s.* 8*d.* is the amount of an investor's realized share. Out of that sum he has paid 87*l.* 10*s.*, and the balance is interest.

5009. What is the mode of payment by investors?—2*s.* 6*d.* a share per week. Some pay weekly; some pay monthly; some quarterly; some half yearly, and a few yearly. As I have already stated, we only allow three per cent. on all amounts paid in advance; we allow four and a half per cent. as soon as the amounts are actually due.

5010. What advantage is derived to the investor by making the payments of contributions in advance?—I am an investor myself, and I suppose that I am a type of the class. I do not choose to be troubled by paying every week, and I pay once a year and have done with it. I get four and a half per cent. on what is due to the society, and three per cent. on what I pay in advance before it is due; it is compounded monthly.

5011. That of course is only an advantage to those who can afford to do it?—It is a disadvantage; it is only a question of convenience, but we get a profit from it. That is one of our sources of profit from which to pay the expenses.

5012. It is an advantage to the society, and not to the investors?—Just so, except so far as it may be a convenience to such investors as myself. We do not compel an investor to do it. He takes his choice, about it. The office is open daily, and if it suits a

man to pay weekly there is every convenience for his doing so.

5013. What is the length of time required to make an investor's share?—Thirteen years and seven months.

5014. What is the number of investors now in your society?—At the present time there are 5,660 investing members, holding 10,452 shares.

5015. What is the principal and interest owing to them at the present time?—The principal owing to investing members is 212,481*l.* 7*s.* 8*d.* The interest is 28,608*l.* 1*s.* 8*d.* The total 241,089*l.* 9*s.* 4*d.* The amount of interest paid to investing members since the establishment of the society is 96,715*l.* 15*s.* 6*d.*

5016. Do you consider that the society's business is conducted at all in a speculative manner?—Not at all. The operations of the society are not extended to any speculation whatever, either in buying, building, or selling property.

5017. Is there any connexion between this society and a land society?—None whatever.

5018. Are there any land societies in Leeds?—Yes.

5019. I suppose from your answer that none of the funds of this society are in any way invested in those land societies?—Not at all. The whole of the funds paid into the society are invested on mortgage of freehold and leasehold property only; and we are careful to have an ample margin in every instance, or thereabouts.

5020. I do not think that you have yet explained the principles upon which the funds of your society are advanced to its members?—They are advanced to the members of the society. Every person becoming a borrower has to be enrolled as a member of the society, and is subject to all its rules and regulations. Every member desirous of borrowing from the society has to submit the plans, &c., of the estate proposed to be mortgaged to the society's surveyor, who is a professional man; he inspects the property and makes a report and valuation thereon, which are submitted to the board of directors, who decide what amount is to be advanced upon such estate, generally from two-thirds to three-fourths of the valuation. For every 65*l.* 12*s.* 4*d.* advanced to a borrower, he has to repay 2*s.* 6*d.* per week, or 10*s.* per month, for 13½ years.

5021. Are those repayments founded upon the calculations of an actuary?—They are. They are in the tables which are attached to the rules of which you have a copy.

5022. What are the expenses of borrowers in obtaining advances from the society?—For every share which a member borrows, he has to pay an entrance fee of 2*s.* 6*d.* per share. If he has been a member previously he only pays 10*d.* per share. This is the only expense incurred during the term of 13½ years. Our solicitor reminds me that that is exclusive of the legal expenses, and the expenses of the surveyor.

5023. Are the charges of the solicitor, and of the surveyor, paid by the society, or by the borrower?—They are paid by the borrower, and the amounts are fixed by rule, and are indeed moderate.

5024. What is your system of fines on borrowers for the nonpayment of their contributions?—The fines are similar to those upon investors, namely 1*d.* per share per week for the first six weeks, and afterwards 2*d.* per share per week for nonpayment of contributions. The tables of the society for calculating the value of future payments are strictly adhered to; consequently if a member get 12 months in arrear, the society would lose more in interest than the fines amounted to.

5025. Have you made any calculation as to the percentage which those fines may be assessed at?—About 2*s.* per cent. We cannot fine an investor more than 2*s.* 6*d.*, whatever amount he has in the society.

5026. (*Mr. Richards.*) Have you calculated the cost per cent. of management, inclusive of gas and the miscellaneous charges, such as stamps and

other items which appear in your balance sheet?—The expenses during the last financial year were 1,610*l.* 17*s.* 9*d.*; that includes gas, stationery, and all expenses; that is 12*s.* 8*d.* per 100*l.* of income received. There are about 30 receipts to be given; that is to say, that the average payments are about 3*l.*

5027. (*Chairman.*) Is it often necessary for you to inflict a fine upon a borrower for non-payment?—Not often; 10*s.* per week is about the average amount which we receive from all our members. We have 7,000 members at present.

5028. How many borrowing members have you?—Over 1,500.

5029. How many shares do they hold?—There are at the present time 1,543 borrowing members, owing 402,624*l.* 13*s.* 3*d.* The average amount advanced to each borrower is about 350*l.*

5030. When speaking of 10*s.* a week, I think that you included both borrowing and investing members, did you not?—The investing members will not average 5*s.* a week. The 10*s.* applies to the whole of the members, both those who are investing and those who have borrowed the money before they begin to pay.

5031. If the average which you give is 10*s.* a week, and if the investing members contribute 5*s.*, what is the average paid by the borrowing members?—It would not be 10*s.* if they paid weekly, it would only be about 7*s.* 6*d.*

(*Mr. Fathin.*) The 1,500 borrowing members do not average six shares each.

5032. When are the accounts of your society made up, and how do you take stock?—(*Mr. Dawson.*) The accounts are made up at the end of our financial year in November. They are made up from our books. We have a stock book, and all books requisite for keeping our accounts.

5033. Are they audited by professional auditors?—They are audited by two professional auditors, who are paid.

5034. How do you disseminate information among the members, as to the position of the society?—A report of the directors, with a balance sheet, showing the receipts and payments of cash classified under various heads, and a stock account showing the assets and liabilities of the society, is distributed annually amongst the members, prior to an annual meeting of members to pass the report, balance sheet, and stock account. And I would say further, that a private statement of each member's account is furnished, showing the amount due to or owing by the society, on the last day of the society's financial year. So that they have a statement of the whole of the society's affairs in the aggregate, and each member has a statement of his own account.

5035. That applies both to investors and borrowers?—It does.

5036. (*To Mr. Middleton.*) Have you any remarks to make regarding the present state of the law in connexion with building societies?—So far as the law stands at present, it is well qualified to carry out the objects of the society, as they are exercised by this building society, and the main observations which I would wish to make would be with respect to the operation of the receipt, which is endorsed on the mortgage to effect a reconveyance; to the giving certain powers to married women to invest and to withdraw moneys; and to the enlarging the amount which might be withdrawn without the production of a probate, or letters of administration, upon the death of a member. I would likewise suggest that power should be given to the members to form a fund for insuring their property from loss from fire.

5037. Perhaps you will deal with each of those points separately?—In the first place, with respect to the form of the receipt which is endorsed on the mortgage, and which vacates the mortgage, and vests the property; difficulties have arisen, which have caused that receipt not to be so beneficial as it was intended to be when the Building Societies' Act was passed. You will notice, on looking at the Act of

*Mr. T. Dawson.*  
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28 April 1871.



*Mr. T. Dawson.*  
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*Middleton.*  
*Mr. T. Fatkin.*

28 April 1871.

Parliament, (and I think that the words have been recapitulated in the bill which was brought into the House by Mr. Gourley), that the receipt is intended to vacate the mortgage, and to vest the estate in the person or persons for the time being entitled to the equity of redemption.

5038. Which clause is that in Mr. Gourley's bill?  
—The 39th clause of the bill, as it was amended in committee.

5039. I think that that 39th clause proposed to re-enact a section of the Act of the 6th and 7th William IV., did it not?—It did, with some alteration; as Mr. Gourley's bill is worded, the "receipt shall vacate the mortgage, or further charge, or debt, and vest the estate of and in the property therein comprised in the person for the time being entitled to the equity of redemption, without any reconveyance or resurrender whatever." Difficulties have arisen in consequence of having to ascertain who the person or persons for the time being entitled to the equity of redemption are. I had a case myself which was taken on appeal before the Lord Chancellor, which involved considerable difficulty arising from that circumstance. As you may be aware, on a reconveyance of property, the legal estate is vested in the individual to whom the property is reconveyed, but this clause gives it to certain persons by description generally, and not to any person by name; and I think that the effect of the decision in the case to which I have alluded would go as far as this, that if an individual had by writing created an equitable charge upon his estate, subject to a building society mortgage, however informal that charge might be, whether by letter to his bankers, or to other individuals, promising to execute a mortgage at some future time, those persons would be, in the eye of a court of equity, persons entitled to the equity of redemption; they would take the legal estate by the operation of the receipt, and third persons who might have purchased the property in ignorance, would find it at some day subject to a charge with respect to which they had no means of possessing any information.

5040. Then would you suggest an alteration in that respect?—I would suggest an alteration, by giving the society power to name in the receipt the person in whom it is intended to vest the estate, and that if no person were named it should then go to the person or persons entitled to the equity of redemption; so that the society on endorsing the receipt might, if they thought fit, name the persons who were to take the estate, and if they had any difficulty in ascertaining who those persons were, they would allow it to go as is proposed in the bill. The instance which I have just mentioned was a case where a member had mortgaged an estate to a building society in Middlesborough. He applied to the Leeds society for an advance to enable him to pay off his first mortgage. The formal receipt was endorsed on the Middlesborough society's mortgage, and the member executed a new mortgage in fee to the Leeds society. It turned out that in the interval between the dates of the two mortgages he had given an ordinary money bond to secure a trade debt to one of his creditors, and at the end of the money bond were some words which created an equitable charge upon this estate. The Leeds society, for whom I was concerned, had no notice of this charge, and after they had advanced the money a bill was filed to foreclose the estate. A decree of foreclosure was pronounced by the Master of the Rolls, but it was taken on appeal to the Lord Chancellor, who reversed the decision of the Master of the Rolls, but not to the full extent which I conceive would have been beneficial to the society. His Lordship merely held that, inasmuch as the first loan had been paid off by the advance from the Leeds society, they were entitled to take the position of the Middlesborough society to that extent, but not to tack any subsequent advance. We of course wished to be able to contend that, in case of any advance being made without notice of an intermediate incumbrance, that

subsequent advance should be added to the original amount. In case we had not relied upon the operation of the receipt in vacating the Middlesborough society's mortgage, but had made the trustees of that society parties to our deed, there would have been no question whatever, because we should have obtained the legal estate direct without the operation of the statute, and being without notice the bill would never have been filed. The name of that case is *Pease v. Jackson*, and it is reported in the third volume of the *Chancery Appeals*, *Law Reports*, page 576. Since that decision, whenever I have had an opportunity of doing so, that is to say, when any transaction has been in progress, I have never relied upon the operation of the receipt, but I have always made the trustees of the building society parties to the new deed. Of course that does not apply in case a man pays off his mortgage and takes his deed away, when we always endorse his receipt; but where there is any new transaction depending upon the mortgage, I make the trustees parties to the new deed, in order that I may know where the estate is going. I have a further point upon that section. I believe that the latter portion of the 39th section of Mr. Gourley's bill has been framed under a misconception of facts. It is stated that if the mortgage or further charge has been registered under the Acts for the registration of deeds in Middlesex and Yorkshire, an entry may be made opposite the registry stating that the charge is satisfied. I am not quite sure what the practice is in Middlesex, but in Yorkshire there is nothing whatever on the registry which would lead anybody to suppose that a deed is either a conveyance or a mortgage, and the general practice of the registration office would have to be altered to make this provision operative. All that we know on referring to the registry at Wakefield for the West Riding, or to any of the registry offices in Yorkshire, is the fact that a deed has been made between certain parties at a certain date concerning certain property, but what the effect of the deed is, is merely conjectural. We naturally from outside circumstances can form an idea as to whether it is a conveyance or a mortgage, but nothing appears on the registry to state it positively.

5041. (*Mr. Roundell.*) Was not the effect of the Act of Parliament which makes the endorsed receipt operate as a reconveyance, to vest the legal estate in your society? In the case which you have mentioned you took the mortgage over from the Middlesborough Society?—I contended that it did so, and my contention was upheld by the Lord Chancellor.

5042. I mean with reference to what you say. It seems to me, looking at it legally, that if the effect of the endorsed receipt was to pass the legal estate to your society, your claim would be unaffected by the equitable doctrine of notice?—It would be so; but in this case we succeeded entirely on the footing that we ourselves had paid the money direct to the Middlesborough Society. If the member had paid the money on one day and brought us the deeds the next day, we should have been wrong, and the decision in that case was based upon that state of facts. At the time when the receipt began to operate we had made our advance—there was then a second equity to the trade creditor to whom I have alluded, and there was a third mortgage in point of date to our society, and the question was which of those two was the prior incumbrance. Now we were held to have the priority because we had paid off the first charge, and had obtained possession of the deeds; that was the only reason on which we succeeded. We had obtained possession of the deeds, and having obtained possession, we had a better equity than an individual who had not obtained possession.

5043. But still if it was held that you took the legal estate by the effect of the endorsed receipt, I do not quite see how it followed that you could be affected by notice, the subsequent transaction of which you had no knowledge?—We took the estate by the operation of the receipt, from the fact that according to the decision of the Lord Chancellor we

were prior in equity to the second incumbrancer, but we were only prior in consequence of the state of circumstances.

5044. So that shortly, it appears that though you took the legal estate it was not sufficient to protect you?—It was in that instance, but it would not have been so in case we had not paid the money and taken the deeds ourselves. If the man had paid off the amount and taken the deeds away without any application to any other society, he might have made an application to the society long subsequently, but in the meantime the legal estate would have been vested in some one; it would have gone to an equitable incumbrancer who would not be known to anybody whatever.

5045. (*Chairman.*) Will you proceed with the second point which you have mentioned?—The second point was on the question of married women; it arose out of the Married Women's Property Act, which was passed last session. That Act gives power for a married woman to become a member of a building society where there is no responsibility. We contend in our society that practically there is none, but technically there is a responsibility, because all the members would be obliged to make good the amount of the liabilities of the society, or at any rate their shares would suffer in case of a deficiency. Therefore I would propose that that section should be extended to married women irrespective of the question of their liability on their shares; but I would also suggest that the consent of the husband in writing should be obtained, before a married woman was allowed to become a member. My suggestion is simply made from the feeling that the Act is confined in the way I have mentioned, to facilitate the contributions of married women who are earning money from other sources than the trade of their husbands.

5046. There is no clause relating to that matter in Mr. Gourley's bill?—There is none.

5047. With reference to married women, have any cases occurred in your experience in which the present state of the law has proved objectionable, or has caused any inconvenience?—Cases are constantly occurring, and difficulty is arising, from married women requiring the repayment of their moneys, which we cannot make without the consent of their husbands; in some few instances, I believe, the bankruptcy of their husbands has occurred, and the money has gone over to the assignees in consequence of it. I do not propose that a married woman should have any greater right to the share than was contemplated by the Married Women's Property Act, which was passed last session.

5048. Will you turn to the next point?—The next point has reference to Mr. Gourley's bill, with respect to clause 27, which provides that "when, on the death intestate of any member of a society under this Act, a sum of money not exceeding 50*l.* becomes payable, the same shall be paid by the trustees of the society to the person directed by the rules thereof, or (where the rules allow of such nomination) nominated by the deceased."

5049. That clause is, I think, the same as that in the Friendly Societies' Act?—That is so, I believe; but I would provide that a time should be named in the Act of Parliament for the payment of the money, giving say three months. We do provide in our rules that the payment shall not be made until after the expiration of three months, during which time it is competent for any person to produce a probate, and I do not gather from the wording of the section as to whether it is intended that the money may be paid to an executor under the will of a member without the will having been proved. I would merely make the suggestion that it should be definitely settled as to whether the money should be paid to persons nominated by the will of a member without the necessity of proof of the will, and again, as to whether or not the payment should not be delayed for two or three months to enable the probate to be produced, after which time payment might be made under the statute

of distributions, to the person appearing to be entitled to the money.

5050. Will you now turn to the next point which you have mentioned?—The next point which I have mentioned is the question of insurance from loss of fire. I may state that, so far as the Leeds Society is concerned, members of the society have joined together to form a fund which is outside the society, from which losses from fire may be made good. That fund now amounts to a very considerable sum, more than sufficient, practically, to insure the various estates which are in mortgage to the society, that is, taking the average risks of the classes of property which are adopted by our society; and I think that it would be very well if provision could be introduced into a new bill, empowering a society to make a certain periodical charge on borrowing members, in exchange for which the society should accept the amount of the insurance of the property in payment of the money originally advanced, or from time to time owing upon the mortgage of the estate.

5051. Is that fund the same as what I see in your balance sheet, "guarantee (against loss by fire) account"?—Yes.

5052. That fund is formed by contributions outside the society?—It is. The borrowing members have regularly contributed to that fund, and in consideration of their contributing, they have not been pressed to insure their property, the society relying upon the fund; but in case losses by fire were to occur which would exhaust the fund, we should then have to call upon them to insure.

5053. Is there any provision in your rules relating to that matter?—None whatever.

5054. What would suggest that it might be a good thing that there should be a provision?—Yes, that there should be a provision in the Act, empowering the society to charge a stated sum, and to give a member the option of either contributing to such a fund in the society, or insuring as he thought fit.

(*Mr. Dawson.*) I think that it would be well to say that the members have not a right to take advantage of that guarantee as a matter of course; it is at the option of the directors whether they are allowed to be in that guarantee or not; and if a man does not incline to be in the guarantee, but prefers to insure in a regular insurance company, he is at liberty to do so. We do not force him, neither do we allow him to force us. I will just say further, that such is the amount which we have now accumulated from that fund, that if we wanted to give up our guarantee system, we could have all taken off our hands by first-rate insurance companies for the amount which we have there accumulated, that is for 13½ years.

5055. Do you compel your members to insure either in this fund, or in some established company?—(*Mr. Middleton.*) Certainly.

5056. Then what is the special advantage of the society undertaking this new class of business?—Merely this, that the class of buildings adopted by our society are buildings which have the least possible risk, and those are the risks which form the source of profit to insurance societies generally. Under those circumstances the society could afford to insure from loss from fire at very much less premiums than are now charged by insurance companies. I think that a single payment of about 2*s.* 6*d.* per share upon 65*l.* 12*s.* 4*d.* would be sufficient, according to the principle which is adopted by this society, to insure an estate from fire for the whole 13½ years. The president reminds me that in exceptional instances, 5*s.* is charged.

(*Mr. Dawson.*) Taking 65*l.* 12*s.* 4*d.* as the amount of the advance, 2*s.* 6*d.* per share for 13½ years is the charge for guarantee, or in other words insurance, and if the risk is greater than ordinary we charge 5*s.*, and if we think that 5*s.* will not be sufficient compensation, we do not take the risk at all. We say, "You must go to an insurance company."

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5057. So that in fact you take the best of your property?—Yes; there are very few cases in which we charge 5s. We take the best, and we say, as regards what we consider really risky, "Go to an insurance company," and there are always insurance companies which will take anything which we offer.

(*Mr. Middleton.*) We do not seek to be compelled to take it all, but only such as the directors of the society would think fit.

5058. Are most of your houses built in rows together?—A great number are built in rows.

(*Mr. Dawson.*) There are generally three or four houses together.

5059. Do you take that into consideration in determining whether you shall take the insurance upon yourselves or not?—No; if it is a private house, the rule is to charge 2s. 6d., whether it is detached or not.

5060. (*Mr. Richards to Mr. Middleton.*) Do you suggest that the insurance should become a separate fund, or that the risk should devolve upon the general funds of the society?—I suggest that it should be in the power of the directors to charge the borrowers with a certain sum, to form a fund, which fund should be kept separate from the funds of the society, and that that fund alone should be responsible to make good losses by fire. I would likewise suggest that if that fund were exhausted, the society should then have the power to call upon the borrowers to make further contributions, proportionately, of course, to the amounts owing by them, to resuscitate the fund; and that failing that they should be compelled to insure, so that in no case would there be any responsibility upon the society, as a society, for the losses by fire. I have not them with me at present, but I did frame a set of rules some time ago, which I submitted to Mr. Tidd Pratt for his certificate, but which he declined to certify. Those rules fully embody my ideas, and I shall be prepared to send them to the Commissioners. Under the Friendly Societies' Acts, I believe there is only power to insure all tools and articles applicable to trade.

5061. (*Chairman.*) Have you any further suggestion to make?—I have. With regard to section 4 of Mr. Gourley's proposed Bill, which is the interpretation clause, it states: "The court in this Act means in England the county court of the district in which the place of meeting for the business of the society is situate." I may say that our society has several branches, and I apprehend that many societies have several branches. I suggest that that should be altered by stating "the head office of the society." I would also make the remark that the words, "place of meeting," are, strictly speaking, hardly applicable, because, practically, the affairs of the society are conducted after the manner of a bank, and there really is no meeting of the members, excepting the annual meetings or special meetings which are called. It has been customary to have a certain day of the week on which the members pay their contributions, and which is called a meeting, but it does not now amount to a meeting. In our society the office is open daily for the payment of contributions, but there is no other meeting than such as I have mentioned.

5062. What are the different branches of your society?—They appear on the back of the rules.

(*Mr. Dawson.*) They are also in the prospectus.

5063. I see that you have branches at 18 places besides Leeds?—(*Mr. Middleton.*) Yes.

5064. Have the figures which Mr. Dawson quoted with reference to the society, reference to the whole of its operations, or simply to its operations at Leeds?—To the whole of its operations.

5065. You have branches at Hartlepool, Huddersfield, and Sheffield?—(*Mr. Dawson.*) Yes, at Sheffield it is a very small one. We do not intend to continue it. The Hartlepool one is a very good one, and there are many workers at the iron works there who are small savers. At the branches they are principally investors, paying 2s. 6d. a week.

5066. Is the loan business done at the branches,

as well as at the central office?—No, only at the central office. To be strictly correct, I should say that there is a slight exception at Millbridge, which is near to Leeds; it is only a matter of 5l. at a time, or something of that sort. I just name that because it is an exception, and we have not thought it requisite to stop it—it is very slight.

5067. Out of 18,051 shares in the society, I see that the branches represent about 5,300?—(*Mr. Middleton.*) That is so.

(*Mr. Dawson.*) About 4,300 will be investors.

5068. The members of those branches, I suppose, are in a precisely similar situation to the members of the Central Society?—(*Mr. Middleton.*) They all have equal advantages and liabilities.

(*Mr. Fatkin.*) The whole of their accounts are kept at Leeds.

5069. Are you aware whether it is the custom in that part of England for building societies to have branches in that manner?—(*Mr. Dawson.*) It is so.

5070. Can you name any other societies, except your own, which work in that way?—(*Mr. Middleton.*) There are the Bradford Society, the Halifax Society, the Newcastle Societies, and the Provincial of Leeds Society. I think that those are the principal societies in the north.

(*Mr. Dawson.*) In Bradford there are more, but we do not know of them.

5071. In your opinion, is it an advantageous or a disadvantageous thing, that a building society should be conducted in that manner?—I think that it is an advantage, because in some of the small places where we have branches, it would be very inconvenient to require a saver always to bring his 2s. 6d. a week to the head office at Leeds.

5072. Can you always in those small places rely upon the local managers, that they will only advance money, for instance, upon properties upon which advances should be made?—My remarks applied to investors; there is no power at the branches to advance money at all, nor to pay money. All that business is done at the head office at Leeds; the business at the branches simply applies to receiving the savings of investors in the country districts. All withdrawals are paid at Leeds—we send out a cheque for them.

5073. Are there no advanced members in these branches?—Yes, but they get the advances at Leeds, and they pay their contributions to the agent in the village or district in which they are.

5074. Who decides on the character of the property upon which the advance shall be made?—As I have stated to you in my evidence, the property is inspected by a professional man, a surveyor, who values the property at what he considers it to be worth, and reports to the board. We sometimes send a deputation from the board as well (not often), to inspect the property, and the board decides what amount shall be advanced; the board always sitting at the head office, and meeting twice a month.

5075. (*To Mr. Middleton.*) Returning to the bill, is there any other point to which you wish to refer?—Yes, I would call attention to sub-section 1 of section 11, which states that "the rules of every society hereafter established under this Act shall set forth (1) the name of the society and place or places of meeting for the business of the society;" I would add to that "or the manner in which and the persons by whom the place or places of meeting for the business of the society shall from time to time be appointed," for the purpose of enabling the directors to appoint the places of meeting with respect to these branches. My remark applies particularly to the question of branches, and I think that the direction should also have the power to make the place of business at the head office if necessary. Sub-section 7 is that the rules shall provide "the powers and duties of the several officers;" I would add "or the persons by whom such powers and duties shall from time to time be determined." It would be an extremely difficult thing for the rules to set out the duties in minutiae of

all the various officers of the society. In section 22 there is a provision that "if any person appointed to or employed in any office in a society under this Act, having in his possession or under his control by virtue of his office any money, property, deeds, or securities belonging to such society, dies, or becomes bankrupt, or is discharged as an insolvent debtor, or has any execution or attachment or other process issued against him, or against any part of his property, or has any action or diligence raised against his lands, goods, chattels, or effects, or property, or other estate heritable or moveable, or makes any assignment, disposition, assignation or other conveyance for the benefit of his creditors," there shall be a preference in favour of the society. I think that some further words should be used to show what is meant by the word "creditors," inasmuch as an assignment is now almost obsolete in consequence of a recent Bankruptcy Act. It might be held to extend to individual creditors, and I presume that the intention is merely to extend it to creditors generally; an ordinary mortgage to a private creditor for securing an advance, I think, might be held to be within the operation of those words. At all events, it would be well to put in the word "generally" there.

5076. "Creditors generally"?—"Creditors generally." Section 26 of Mr. Gourley's Bill is as follows: "No trustee of any society under this Act shall be liable to make good any deficiency in the funds of the society, but shall be liable only for the moneys actually received by him on account of the society." I would add the words, "and not duly accounted for" and paid." I would also call attention to section 33, under which it is provided that "Every determination by the court under this Act" (which I apprehend is the county court) "of a matter in dispute shall be final and conclusive to all intents and purposes, and shall not be subject to appeal." I would suggest that there should be the right of appeal in many cases. I cannot conceive why in this particular instance there should be no right of appeal beyond the decision of a county court, seeing that appeals from the decisions on all other points are allowed. Many important questions might have to be decided on which an appeal would be advantageous.

5077. But on the other hand, I suppose that an appeal might cause very great expense, and might in some cases be practically a denial of justice to a poor member of the society?—To a certain extent it might possibly be so.

5078. Which do you think would be the greatest disadvantage of the two?—Judging from the operations of the society for which I act as solicitor, I should imagine that the right of appeal would be the most beneficial. I know that we have always acted most scrupulously with regard to the interests of the shareholders, and there would be no wish to take any advantage of an individual shareholder.

5079. Cannot you conceive that the board of directors might by their power of using the funds of the society take very great advantage of an individual shareholder?—I think not more than any private individual could, in case he went before the court. I see no reason why the right of appeal should be taken away as between building societies and their members, when it is not taken away from a private litigant who may be assumed to be in the same class of life.

5080. Will you proceed with your observations upon the Bill.—There is section 35, by which it is proposed to enact that "A person under the age of twenty-one may be admitted as a member of any society under this Act, the rules of which do not prohibit such admission, and may execute all necessary instruments and give all necessary acquittances; but during his nonage he shall not be competent to hold any office of director, trustee, treasurer, or manager of the society." I think that it ought to be definitely stated in that section as to whether or not it is intended to give him power to mortgage estates.

5081. He could not execute a valid security, could he?—The actual wording of the section might be taken to confer that power upon him, because the objects of the society are, to enable an individual to acquire property of his own, to obtain a house for himself.

5082. You would suggest that the clause should be limited to investing members?—I would either limit it to that, or state that he might do so. I would not suggest that he should be compelled to do so. For that purpose I would limit it as you state. In clause 36, you will see that the annual statement which is to be published is to be attested by two or more members of the society. I would suggest that it should be attested by the auditors of the society properly appointed, and not by two members, irrespective of the fact of their being auditors. I would also suggest after the words "and every member shall be entitled," the words "on applying therefor to receive from the society a copy of such general statement," in order to avoid the necessity, in a large society like this, of transmitting accounts to the members.

5083. I understood from Mr. Dawson's evidence that that was your practice?—The accounts are all made out yearly in our society, and when a member calls for his contribution book, he receives his private statement; it is put into his contribution book; but if he does not think fit to come for two or three months, it is not sent to him by post; he can, however, have it on applying for it.

5084. Is that the case with reference to these private statements to which Mr. Dawson referred?—I was alluding to all classes of statements.

5085. (To Mr. Dawson.) Will you explain whether a general statement, and a private statement of the accounts of your society are circulated to each member or not?—The reports and balance sheets are laid upon the counter in the office, and those members can have them who choose to take them; they are advertised, and they lie upon the counter for people who come.

(Mr. Fathin.) The private statements are made out for the members, and it is announced that every member shall have his private statement the first time that he comes. For instance, our year closed on the 7th of November, and every statement, with the exception of about half a dozen, has been issued to the members. The exception is in the case of members who have changed their residence, and we are not able to find them. But we have not sent the statements by post.

5086. How are they issued?—They are issued to every member when he comes.

(Mr. Dawson.) The account is given to him.

(Mr. Fathin.) It is done for this reason; most of our members pay 2s. 6d. a week, that is 6l. 10s. a year. Supposing that one of the clerks makes a mistake in the ledger, and that a member's account is cast up to 7l. 10s., the statement would be made out for 7l. 10s., and it would enable a member to alter his book if so inclined to 7l. 10s., and so rob the society of one pound. Before the statement is issued his book is compared with the society's book.

5087. (To Mr. Middleton.) Have you any further remarks to make?—No.

5088. Your remarks mainly have had reference to legal points. May I take it that in the general purpose of the bill, you as representing your society, concur?—I do.

5089. But I understood you to say at the commencement of your evidence, that your society for its own operations was satisfied with the existing state of the law?—With the alterations which I have suggested.

5090. But you are of course aware that this bill proposes some very important alterations in the law, to which you have not referred?—Yes; I do not think that they would affect us. They would possibly be an advantage to the society, but we are content with the law as it now stands, with the alterations which I have now suggested. I see no objection to

Mr. T. Dawson.  
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28 April 1871.



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28 April 1871.

the proposed alterations. I may state that practically many of them have already been adopted (I cannot enumerate them now) by our society, in rules which have been already certified.

5091. Do you consider that your rule for borrowing is identical with the powers which are proposed in this bill?—Not quite identical, but it is to all intents and purposes I think the same, for all practical purposes.

5092. (*Sir Sydney Waterlow.*) You object to the county court trying cases between the society and its members, unless it is the county court where the head office is situated?—I think that it ought to be the county court of the district in which the head office is situated.

5093. Do you not think that it would be rather hard upon one of your subscribers at Hartlepool to have to attend a case to be tried at Leeds? Do you not think that the society should have the trouble of going to Hartlepool rather than the member coming to Leeds?—Possibly that may be so. I do not know that the directors of our society would object to having to go to the local court. A great many of our branches are within the same court as Leeds, but I do not know that the society would object to having to go to Hartlepool with regard to cases arising at the Hartlepool branch.

5094. Do you then think it fairer upon the members of the society that the case should be heard in the court of the district where the member resides?—I think that it would be so.

5095. With reference to the right of appeal from the county court, do you not think that it would give an enormous advantage to the society, which has great funds, as compared with a man who, perhaps, has no property except what is in dispute?—There is no doubt that it would be so; but I take it that there ought to be the right of appeal to a higher jurisdiction in all cases of dispute.

5096. Would you not be satisfied if the right of appeal was given where the amount in dispute, say, exceeded 100*l.* or 150*l.*?—I think that some limit would be beneficial.

5097. From your experience, what do you think would be a fair limit?—I would limit the amount of the appeal to the sum of 20*l.*, no appeal being allowed below 20*l.* from the present decisions of the county courts in common law matters.

5098. In common law matters, the plaintiff and defendant may be persons in an equal station of life, and probably are so in the majority of cases, but in the case of a building society, you have a powerful society with large funds at their back, and who, if they were inclined to act oppressively, might prejudice the claim of a member?—I simply go upon the broad ground that if there is a wrongful decision, there ought to be some mode of appealing from it, in order to get a proper one.

5099. No doubt, but you have to balance that against the disadvantage of the society oppressing an individual member. You think that 20*l.* is a sufficient limit?—I think so.

5100. You would object to a limit of 150*l.*?—I would.

5101. With regard to your borrowing powers, I understand you to say that your rule with reference to borrowing money is very much the same as that which is set out in Mr. Gourley's bill?—The power set out in Mr. Gourley's bill, I take it, is simply that which is expressed in section 9, "Any society under this Act" may receive deposits or loans at interest from the "members or other persons or from corporate bodies, joint stock companies, or Her Majesty's Loan Commissioners, to be applied to the purposes of the society." It simply provides for loans to be accepted by the society.

5102. Without limit as to the proportion?—Yes. By our rules we limit the amount to two-thirds of the amount for the time being secured upon mortgage; that is only a limit fixed by ourselves. As the law

now stands, I conceive that our society has a right to borrow without limit.

5103. Do you think that it would be an advantage to building societies that the power of borrowing should be limited to a proportion of the money held by them from their subscribing members?—I do.

5104. Within what limit do you think that the directors might be permitted to borrow? What proportion should the money borrowed bear to the money invested by their members?—I would take the proportion adopted by our own society, that is, two-thirds of the amount for the time being secured upon mortgage; in other words, two-thirds of the debts for the time being owing by the borrowing members.

(*Mr. Dawson.*) That is laid down as the standard, but we never got to half that amount.

(*Mr. Middleton.*) Our rules provide that we may borrow up to two-thirds of the amount for the time being secured upon mortgage, but I believe that the amount which has been borrowed by our society has never exceeded two-fifths.

5105. Then do you think that the clause in Mr. Gourley's Bill should not remain unlimited as it is, but should be limited as you propose?—I think that that would be a good alteration. In our particular society we limit it by our rules, and I do not think that if full borrowing powers were conferred by this Act, our society would be disposed to allow full powers to be exercised. I think that they would still wish to have some restriction, as they have in their rules, for the reason that their rules were framed under the impression that they had power to borrow in an unlimited manner.

5106. From your experience of the general operation of building societies, do you think that such a limit as you have laid down for yourselves, would be an unwise one for parliament to lay down for building societies generally?—I think that the limit which we have laid down would be a proper one.

5107. Did I correctly understand you to say that the expenses of your society are more than borne by the profit which you make from entrance fees, forfeits, moneys paid in advance, and other similar sources?—Yes.

5108. And in that way you are enabled to charge no more to the borrower than you pay to the investor?—Yes.

(*Mr. Dawson.*) Our profits have averaged about 300*l.* a year beyond our expenses for several years.

(*Mr. Middleton.*) There are many other little sources of profit which are quite sufficient for the expenses of the society, such as a cheque not being presented to be paid for some little time. It has always been the principle of the society for which I act as solicitor, that there should be as little profit as possible, and for that reason the entrance fees have been reduced, and office fees have been taken off; in fact, the source of profit has been continually cut down, so as to take no more from the members than has actually been wanted for the working of the society.

(*Mr. Dawson.*) The profits last year were 2,075*l.* 8*s.* 8*d.* and the expenses were 1,610*l.* 17*s.* 9*d.*, leaving a balance of profit of 464*l.* 10*s.* 11*d.*, and that was divided at the rate of 2*s.* 6*d.* per share amongst the members.

(*Mr. Fatkin.*) To those who had been in the society three years.

(*Mr. Dawson.*) They do not participate in the profits until they have been in the society for that length of time.

5109. They do not take a bonus before that time?—No.

5110. (*To Mr. Middleton.*) With regard to your suggestion with reference to an insurance fund, do I understand you rightly to say that you think that it would be an advantage if Parliament would permit building societies to have an insurance department?—I think that it would.

5111. To which fund members should contribute upon terms to be agreed upon between the society

and themselves, taking care that the money received for insurance should be kept entirely separate from other receipts?—I think so. I would not allow the insurance fund to be at all mixed up with the general funds of the society.

5112. (*Mr. Roundell.*) With reference to the right of appeal from the county court, do you not think it is the tendency of recent legislation to vest greater jurisdiction in the county courts?—I believe so.

5113. In several subjects such as bankruptcy and equitable jurisdiction, and so on?—It seems so.

5114. Is it not also the tendency now-a-days for persons of very considerable reputation in the profession to be appointed to the county court judgeships?—It is becoming so.

5115. So that in fact a very considerable confidence may be felt in the decisions of the county court judges?—I think that it may become so eventually. I do not say that it has been so for some years past.

5116. But it is becoming so?—It is becoming so, I believe.

5117. In that view, may it not be said that there are broad grounds of policy in favour of making the decision of the county court final? and may you not regard a final judgment by the county court as in the nature of one of those exemptions, such as the exemption from stamp duty, which may be looked upon as a privilege?—That is so; the only question is, as to how far it is advantageous. I do not myself think that the right of appeal from a county court judge should be prohibited, when it is not prohibited from the vice-chancellor of England. My remarks, I may say, are only upon the question of the principle.

5118. Are there any questions likely to come before a county court judge in these cases which in your opinion would require to be subject to the right of appeal?—It is almost impossible to say what cases might have to come before a county court judge. I apprehend that many intricate points of law might have to come before him. I do not know that any suggest themselves to me at present, but questions involving almost every variety of law, I think, in some way or other, must necessarily have to come before a county court judge.

5119. But looking to the members of these building societies, their means, and so on, would it not be a privilege for them to be exempted from this costly right of appeal, trusting to the justice which would be awarded to them by a competent professional person?—It would be a question, I apprehend, as to whether they would consider it a privilege. I have generally found that individual members of a society would perhaps be more likely to appeal than the society itself would. I think that the societies, as a body, would be more likely to look with confidence upon the decision than an individual member, who had an adverse decision against him.

5120. Then, so far as the society is concerned, you seem to admit that the society would be satisfied with the decision of the county court judge?—I think that they would be more likely to be satisfied than the members generally, but I do not wish to take away from the society a proper right of appeal.

5121. Then it would come to scarcely more than the feeling of soreness which a cast suitor always feels?—It is something more than that. My remarks are based entirely upon the assumption that decisions may be made which are fairly subject to appeal, and which would be likely to be reversed in case of an appeal. I cannot carry my remarks further than the general principle which is adopted, and that is, that there should be an appeal to some higher tribunal in almost all cases of dispute, unless the parties in the particular case agree, as in the case of an arbitration, to be bound by the decision of the court.

5122. Still, without pressing the point further, I suppose that you would allow that there is a very great advantage in a summary and prompt administration of justice in the case of persons of limited means, when it is administered by gentlemen of professional reputation?—There is no question that that is so.

5123. Speaking of your members generally, can you give a description of the class of members of which your society is composed?—The members in our Building Society, I may say, comprise almost all classes resident in the town of Leeds.

5124. Are they confined to the working men?—No, the bulk of them are working men, but many of the higher classes of the town avail themselves of the advantages offered by the society, such as merchants, tradesmen, and professional men, persons retired from business, and who are living upon independent means.

5125. Speaking quite generally, can you state what kind of proportion those members of superior means bear to the others?—(*Mr. Fatkin.*) Five-sixths of our borrowing members are borrowers of under 400*l.* Of the investors there are very few who have more than three shares, which is 7*s.* 6*d.* a week, but the majority of our investors have only one share. We have 5,500 investors, and the total number do not hold more than 10,400 shares; and a very large portion of our borrowers, as I said, are only borrowers of 400*l.*

(*Mr. Middleton.*) In other words, about five-sixths of the society would be of the working classes.

(*Mr. Dawson.*) The great bulk of our investing members are working men, earning weekly wages. On Friday, there are a large number of police in the office, that being the day on which the police wages are paid. A great number of them deposit 2*s.* 6*d.* a week with us.

5126. Is it common in these societies in the North of England, for members of a superior position, and superior means to belong to them?—(*Mr. Middleton.*) It is becoming so.

5127. Does not that affect the question of the exemptions which are granted to these building societies by the Act of Parliament?—You mean exemptions from the stamp duty?

5128. Yes.—Those exemptions, as you are aware, have been limited by the existing law to advances under 500*l.*

5129. Still I suppose that some of your members of superior means would come in for the benefit of some of these exemptions?—(*Mr. Dawson.*) The cases would be exceptional in which persons of the latter class would not have above 500*l.*, and mortgages above 500*l.* have to pay stamp duty.

5130. (*Mr. Richards.*) Under what rule do you now borrow money?—The rules with respect to borrowing money are Nos. 58 to 62 inclusive.

5131. What is the form of voucher which is given upon the receipt of money?—(*Mr. Fatkin.*) A mere deposit book.

(*Mr. Dawson.*) The deposit book is very similar to the book which an investing member has.

5132. By whom is that signed?—(*Mr. Fatkin.*) By the manager or secretary, and it is examined by one of the clerks.

5133. According to your rules, the money is borrowed upon the faith of the trustees, they being personally responsible?—Yes, and upon the good standing of the society.

(*Mr. Dawson.*) I believe that the general feeling is a faith in the stability of the society.

(*Mr. Middleton.*) The rule as to borrowing was framed before the last decision of the Lords Justices, which decided that building societies had power to borrow. Until that decision was given, it was believed that the societies had not the power to borrow, although that rule had been certified by Mr. Tidd Pratt some years before. I believe that many years ago Mr. Tidd Pratt held the opinion that building societies had the right to borrow money, and at that time he certified that rule for the Leeds Society—but since then he thought he had reason to alter his opinion, and he refused to certify any more such rules; so that we have gone upon the assumption that the trustees, and not the society, are personally responsible. But I apprehend that since the last decision the society itself would be held responsible in all these cases.

5134. Is that your opinion under the existing rule?—I think that the money has actually been borrowed

*Mr. T. Dawson.*  
*Mr. J. W.*  
*Middleton.*  
*Mr. T. Fatkin.*

23 April 1871.



*Mr. T. Dawson.*  
*Mr. J. W.*  
*Middleton.*  
*Mr. T. Fatkin.*

28 April 1871.

by the society, and whether the trustees are personally responsible or not, I apprehend that the society would be responsible. Whether or not the trustees are individually responsible as an additional security is another question.

5135. Then how would a depositor be enabled to claim from your society? Under what contract would he claim?—Under the contract that he has deposited his money with the society at interest, as shown by the entries which are made in his deposit book.

5136. Would not that be *ultra vires*, there being no law at all making provision for it?—We apprehended that difficulty some time ago, but since the recent decision of the Lords Justices, we hold that there is a power which allows the society to borrow money, and that consequently the society would be responsible under a simple contract made by them for the loan.

5137. But surely the provisions of Mr. Gourley's bill are totally different from the provisions under your rule?—The provisions of our rule are to a more limited extent.

5138. What is the number of your rule which limits the borrowing powers?—Number 62.

5139. You do not approve of an unlimited power of borrowing?—(*Mr. Dawson.*) No.

5140. Then in so far you differ from the provisions of Mr. Gourley's bill?—(*Mr. Middleton.*) So far as it is applicable to building societies generally, we do not object to having the power; but we do not think that we should ever exercise it, so far as our society is concerned. I have already expressed my opinion on that point. Our society uses the loans as a sort of safety valve, in case of wanting contributions from borrowers. They open a loan account, but if they find that they are getting too much money, they close it, or reduce the amount of interest.

(*Mr. Dawson.*) We are continually refusing money.

5141. Your office being open daily for the receipt of money, what is the usual amount paid as deposits?—About 1,000*l.* per week.

5142. Do you fix a minimum?—(*Mr. Fatkin.*) 5*l.*

5143. Do you mean that until 5*l.* is received you pay no interest, or do you mean that you receive nothing less than 5*l.*?—We receive nothing less than 5*l.* as a deposit upon the loan account; but we receive on the share account as low as 6*d.*, namely, one-fifth of a share, which a member can enter for, and he can transfer 5*l.* of his contributions, if he desires, to the loan account, and cease paying upon his share.

(*Mr. Dawson.*) A man bringing 6*d.* must pay 6*d.* a week, but a man may bring 5*l.* as a deposit in one sum upon loan, and he leaves it there as long as he likes.

5144. If he deposited 5*l.*, would he be allowed in the next week to bring 2*s.* 6*d.* to be added to the 5*l.*?—No, nothing under 5*l.* A man who deposits money on loan is not a shareholder in virtue of depositing that 5*l.* on loan, although he may otherwise be a shareholder. I am myself an investing member, and lend money on loan as well.

5144a. What is the amount of interest which you allow on the loan account?—(*Mr. Fatkin.*) Four per cent. If we get too much money we reduce it to 3½ per cent., so as virtually to close the loan account. At the present time we have plenty of money, and there are many persons who would lend us money at 3½ per cent., but we have a balance at our bankers and refuse it.

5145. You have a plethora of money?—Yes.

5146. Is that your normal condition, or is it so at this particular time?—We are almost always full.

(*Mr. Dawson.*) I have known the time when we have had to overdraw. I have known 12,000*l.* overdrawn at the bank, but it was an exceptional case.

5147. When you overdraw 12,000*l.*, who was responsible to the bankers?—I have always considered that the society was.

5148. Did the bankers take no security except the pass book?—(*Mr. Middleton.*) The bankers sometimes take deposits of mortgages, and title deeds relating

to the estates for the time being in mortgage to the society, but they are not very particular about it in our society.

(*Mr. Dawson.*) Since I have been the president we have overdrawn 12,000*l.*, and we never deposited anything as security in my time.

5149. Did any trustee become personally responsible?—Not specially; we simply overdraw our account in the usual way.

(*Mr. Middleton.*) I may say that the bankers have unlimited confidence in this society, and they would allow us to overdraw without any question whatever.

(*Mr. Dawson.*) If they had been dissatisfied, we should have paid them off under a day's notice.

(*Mr. Fatkin.*) We like to owe them 5,000*l.*; it is more advantageous to us than having money in the bank.

5150. Do you think that it would be desirable to have a rule providing that every member, upon joining the society, should nominate a person to whom, in the absence of probate, his share should be payable after death?—(*Mr. Middleton.*) I do not see that there would be any objection to such a rule, allowing him the privilege of doing so.

5151. Do you think, having regard to the general working of your society, that that would be desirable?—Yes.

(*Mr. Dawson.*) I think that there would be a great advantage in it, in the case of a man who has left a very small amount of money; he may have left, say, 18*l.* in our society, and that may be all the money that he has. I therefore think that there would be a great advantage in what you mention.

(*Mr. Fatkin.*) We have had many cases in which persons have had 20*l.* or 21*l.*, and it has been their entire fortune.

(*Mr. Middleton.*) There have been many instances which I have known where 21*l.* has been in the society, and we have had no means of paying it without letters of administration being taken out. We have a rule providing for sums under 20*l.* being paid, without obtaining letters of administration. Where it is just over the margin it has sometimes been a matter of hardship.

5152. Turning for a moment to section 20 in Mr. Gourley's bill, do you think that the power which is there sought would be a judicious power to be given to societies, namely, that the funds may be invested in any way which the society think desirable?—From the experience of our society, we do not seek to have the funds invested otherwise than as we invest them. That is a question entirely for the consideration of Parliament, as to whether they would extend the classes of securities upon which the funds might be invested.

5153. You have arrived at your almost unparalleled state of success by confining your operations more particularly to the original objects of building societies?—That is so.

(*Mr. Dawson.*) I would say that I should prefer what has been mentioned not to be allowed. I do not seek power to act in any other way than to lend money on property in the manner which I have described; that is the object which we have in view.

5154. Then do you suggest to the Commission that it would be unwise in the Legislature to allow building societies to make investments in land?—I do not say that it would be unwise, but we certainly do not want any such power; we prefer the present plan. Supposing that I was not at the board, I should not wish that there should be a board who should go and do it. I would rather that the board did just as we do, and not invest in land to buy it out and out, but that they should lend money, dealing simply with money, and lending it out on mortgage.

5155. Having regard to the parties who usually lend money, and who subscribe to these societies, you think that the safety of the society would be better ensured by the powers being limited to the objects of a building society, namely, advancing money only upon freehold or leasehold security, and not being purchasers at all?—I do. They would otherwise

become like societies in our neighbourhood, namely, land societies, who buy land on speculation, by which they may make considerably or by which they may lose.

5156. You think that it is inconsistent with the scope of building societies to become speculators in this way?—I do. I think that it appertains to quite a different business—a man then becomes a trader and a speculator.

5157. Do you think that the money which is now lent to your society is lent upon the faith of the responsibility and respectability of the trustees, or upon the faith of the society itself?—I believe that it is lent on the faith which is placed in the society at large, taking into account both the respectability of the trustees and the fact of all being subscribers, and the good management, and knowing that we are careful to have plenty of security for all that we lend out, and that we do not speculate.

5158. Do you think that it would be desirable that there should be some registry of building societies in the kingdom, either by the appointment of a certifying barrister, or by some office being created in London for that purpose?—We should be very glad to have it; we think that there would be an advantage in it.

(*Mr. Middleton.*) I may make the remark here, that I approve of Mr. Gourley's bill so far as regards giving power to the societies to make rules, so long as they shall not be inconsistent with the Act, rather than that the rules shall be subservient to the certificate of a barrister that they are consistent with the Act.

5159. Do you not think that it would be very desirable that the rules should be certified, and that those rules should be considered to be in all respects legal?—I take it that they must be legal, unless they are declared by the barrister who is appointed to be inconsistent with the Act of Parliament.

5160. Do you think that it would be desirable that those rules should be considered as conclusively legal, and such as any court must construe as being within the powers of the general Act?—That might be advantageous, but I apprehend that it would be so by Mr. Gourley's bill as proposed; they would be held to be legal unless the barrister had certified that they were illegal.

5161. But do you not think that it would be desirable that the certifying barrister should give such a certificate as would constitute those rules altogether legal, and that they should be accepted as such?—I certainly do think so.

5162. Then you do not consider that the office of registrar, or certifying barrister, should be dispensed with?—I do not; but I prefer the amendment in Mr. Gourley's Bill, in section 16, "The rules of a society under this Act shall, so far as the same are in conformity with law, and with the provisions of this Act, be binding on the several members and officers of the society, and the several contributors thereto, and all persons claiming on account of a member or under the rules, all of whom shall be deemed and taken to have full notice thereof." Section 12 is, "The registrar shall examine the proposed rules transmitted to him of every society intended to be established under this Act, and if he finds that they contain the provisions by this Act required, and that the proposed name of the society is not substantially the same as that of any society previously registered, and still subsisting in the same town or county, or if in the metropolis, within the metropolitan district, he shall return one copy of the rules to the secretary or other officer of the society, with an acknowledgment that the same has been registered, and shall retain the other copy." I think that I have misunderstood this bill with respect to that clause. I was under the impression that the barrister had the power of certifying with respect to any rules which were contrary to law. I certainly would give him the power of striking out any rules which were contrary to law; but I would put it upon him in a negative point of view, and not

in a positive point of view. As it is now given, the certificate of the registrar is that the rules are in conformity with law. I should prefer that he should make his certificate that the rules are not contrary to law or to the provisions of the Act. I think that many difficulties might have been avoided in the case of rules which have been already submitted, if he had had that power.

5163. Then you would extend the power of the barrister?—I think so.

5164. Do you think that it would be a wise provision that disputes should be settled by the registrar, or certifying barrister, assuming that the duties of the office are very much enlarged from what has hitherto existed?—I do not know that I should have any objection to the registrar settling disputes, but I apprehend that it would entail very considerable additional labour upon him, had he to take on him all the disputes of the societies of the kingdom. That is a question which would have to be considered.

5165. Having regard to the facility with which he or those around him would be enabled to deal with ordinary disputes, from their constant reference to the office, do you not think that the duties though large might be readily performed?—I do, apart from the question of the inadvisability of that course, arising from the fact of the distance of the registrar from the office of the society. A question was put to me just now as to the county court in the district of the head office being taken, instead of the county court in the district of a branch. Apart from that, I think that the registrar would be the best court to which to appeal in case of dispute.

5166. It would in fact be a court of arbitration?—Yes.

5167. Assuming that Parliament in its wisdom might think it desirable to allow disputes to be settled in the county court, or other legal proceedings to be taken, do you think that it would be advisable to have the consent of the registrar before such course was adopted—in other words arbitration first, and that no other proceedings should be taken without the consent of the registrar?—If you make arbitration the primary means of settling a dispute, I think that it would be advantageous, but if you give the option to go either to arbitration or to the court, I do not think that the opinion of the registrar should be taken privately before an application to the court in the first instance.

5168. Assuming that a cause might have been tried in the county court, would it obviate your objection to the right of appeal being prohibited, if the fiat of the registrar were necessary before such appeal was allowed?—The question then would devolve entirely upon whether or not the registrar were considered a tribunal competent to give such a fiat. I apprehend that the registrar would be a gentleman of somewhat the same professional attainments as the county court judge, in which case there would be no necessity for any such fiat.

5169. Except that the registrar would probably be more familiar with disputes which might arise, from having appeals before him from all parts of the kingdom?—That might be the case so far as any legal questions were concerned, but not with regard to questions of fact.

5170. (*To Mr. Dawson.*) Do you think that it would be desirable in future legislation, that Parliament should insist upon all building societies conducting their affairs in such a way that a schedule of accounts should be prepared annually, and returned to a central office?—I think it very likely that there would be an advantage in it. We have not the slightest objection to it, but should prefer it ourselves.

5171. I presume that the uniformity which would be obtained by such legislation would be a great advantage?—I think that that is very likely.

5172. Assuming that that course was adopted, do you think that the rules which now govern you with respect to furnishing accounts to your members are sufficient, or do you think that it would be desirable in the interests of societies generally that each mem-

*Mr. T. Dawson.  
Mr. J. W.  
Middleton.  
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28 April 1871.



*Mr. T. Dawson.*

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28 April 1871.

ber should be furnished with an account?—Does the question contemplate those accounts being sent out, or that the members should get them simply in the way in which they now get them from us?

5173. That they shall be sent out?—I am inclined to think that our present plan meets the case. We do get every individual member in possession of his private statement within six or seven weeks of the annual meeting, and the members take their report and balance sheet when they come, which renders it unnecessary for us to send them out. It is not like a body of railway shareholders who are not attending at any particular place—there, as you know, it of course becomes necessary to send out the report; but as our shareholders constantly come to the office we can easily give it to them. Our shareholders are very numerous and very small in amount, so that if the documents are given to them at the office I think that it is sufficient. They are working men, who are more frequently changing their residences than people in what is called a better class of society. The documents often would not reach them if they were sent by post. Many of our members are persons, I believe, who do not often receive letters.

5174. Do you think that provision should be made that a balance sheet in some form should be prepared, and that a society should not be allowed to carry on business, merely issuing a report annually?—I think that all such societies ought to furnish a balance sheet and stock account, with particulars of assets and liabilities.

5175. Would you in all cases have such balance sheet attested by a professional officer?—Yes, just as in our own case; we have two professional paid auditors, who are elected yearly.

5176. Your experience no doubt extends to other societies, which are of a smaller nature than yours. Do you think that the suggestions now made would be a hardship upon such small societies?—No, I do not think they would.

5177. You think that no society, small or great, should be allowed to carry on its business without its annual balance sheet being prepared and certified?—I am quite of that opinion.

5178. Can you indicate any particular reasons why building societies should be exempted from stamp duties, which are paid by other individuals?—Yes. I think that it has been with difficulty that many persons have been induced to save their money, and that has been one temptation which one has been able to hold out to a man to begin to save. I could point to men who years ago were receiving weekly wages as joiners, and so on, and with whom I have talked, to try and induce them to lay by 2s. 6d. a week, instead of spending everything; and in some instances I have been successful, and the consequence is that some of those men are now worth a little money, 100*l.* or so, who if they had not been tempted to save would just be ready for the poor-rates if they were thrown out of work, and I think that anything which can be done to induce men to keep away from the workhouse, and to gain self-respect by saving 100*l.* or more, is an advantage to the community at large.

5179. Considering that stamp duties have been very materially reduced since the legislation as to building societies, do you think that the exemption from stamp duties is now really an object with members of these societies?—I think that it is an object with many. I should think that it is quite right that there should be a stamp duty on sums above 500*l.*, as there is now; it is quite right that they should not be all exempt, since people of a better class have begun to take advantage of building societies; but I would not alter it in the case of men of very small means.

5180. Assuming that all restrictive legislation were removed with respect to building societies, do you think that that would be a set-off in the minds of the general public, who usually subscribe to these societies, against the exemptions from stamp duties?—We do not want to carry on our business as we

please—we would rather be under restriction. We think that the restrictions ensure stability.

5181. You mean the restrictions imposed by present legislation?—Yes.

5182. (*Mr. Bonham-Carter.*) I see by your rules that you have one-fifth shares?—Yes.

5183. Is that a one-fifth share taken in addition to a whole share, or can a man begin by taking only a one-fifth share?—He can begin by taking a one-fifth share, paying 6*d.* a week. We have a considerable number of persons who do so; and such a man has all the privileges which others have in proportion to his subscription—he has interest at the same rate, and he even has a vote equal to a man who has 50 shares, and is eligible to be a director.

5184. Then your shares are really one-fifth of what you choose nominally to call a share?—It would be quite fair to put it so.

5185. You speak of borrowers being members; they are enrolled, and when they borrow they must borrow a share?—Yes, or a proportion of a share.

5186. Do I rightly understand you that when a borrower borrows, he must borrow not less than one-fifth of a share?—He cannot borrow less than one-fifth of a share.

5187. You do not allow him to borrow less—that is your limit?—The least which we have had borrowed is a share. We would lend a fifth if a man wanted it, but nobody has borrowed less than a share. We want a mortgage if he borrows.

5188. You appear to have two classes of members, the first class being a man who becomes a member in the ordinary way as an investor, and that man may have an advanced share, but when a man who is outside the society comes and borrows, you oblige him to become a member at the time by borrowing some multiple of one-fifth of a share?—Yes—6*5*l.** 12*s.* 4*d.* I begin by paying in 2*s.* 6*d.* a week, and when in the course of 13 years and 7 months, I have paid in the full amount of the share, I draw it out, and get all the interest which is due on it, or the society will lend me the money, and then I begin to pay it back.

(*Mr. Middleton.*) If a man comes to the society as an investor only, he will pay 2*s.* 6*d.* per week for 13 years and 7 months; at the end of that period he will have in the society the sum of 87*l.* 10*s.* 0*d.* in actual cash payments. He will be credited according to the tables which you find in the rules, with 32*l.* 14*s.* 7*d.* for interest, and he is then entitled to receive 120*l.* 4*s.* 7*d.* Now, practically, a man who comes to borrow, says: "If I make these payments to you regularly, I shall be entitled at the end of 13 years and 7 months to receive 120*l.* 4*s.* 7*d.*—discount that for me, and give me its present value;" and when he applies for his advance we give him the present value of 120*l.* 4*s.* 7*d.* paid at the end of the 13 years and 7 months, and we take a security from him for his contributions, in order to arrive at that amount.

5189. There are no other loans to individuals, except to persons whom you make members when they borrow?—No. By our rules we have power to lend to other individuals, but we have never exercised it.

(*Mr. Dawson.*) It has never been exercised in my time.

5190. You suggest that there should be a limitation of the borrowing powers; how would you proceed, supposing that the society exceeded its borrowing powers? What check would you put upon its exceeding them?—(*Mr. Middleton.*) I have not given that question consideration.

(*Mr. Fathin.*) We have often refused money on loans.

5191. Supposing that the Legislature said that the borrowing powers should not exceed two-thirds of the money advanced upon mortgage, how would you secure that the society should not exceed its powers, if it was necessary to afford protection to the members or to the public?—(*Mr. Dawson.*) We have always kept considerably under, but the best answer which I

can give to your question is, that I suppose the same course would be adopted as in the case of a railway company exceeding their borrowing powers; they would have broken the law, and proceedings would have to be taken against them for doing so.

(*Mr. Middleton.*) If you provide for the annual registration of a balance sheet, you virtually put the society upon the same footing as a limited company; and if an individual thinks fit to lend in advance of the borrowing powers of the society, he must take his risk of it.

5192. With regard to nonage, do you consider it desirable to put any lower limit upon a minor, for instance, that nobody shall become a member under 16, or some such age?—I think that some limit might be advantageous, except in cases of subscriptions paid by a parent on behalf of a child—a parent might make payments on behalf of a child—which the child should receive at 21, but under such circumstances I would not give a child the power to exercise all the rights and privileges of a member.

(*Mr. Dawson.*) I would allow a child at any age to pay in, but not to take out anything except with the written consent of the parent, and I would not give the child the power of voting until he was 21 years of age.

5193. (*Chairman.*) Would you give the parent the power to vote for him?—No, I should leave him to be dependent upon us. I have a boy of 11 years of age. I intend to pay in 6d. a week when he is 12 in order to get him into the good habit of saving. He cannot take it out unless I sign, and I mean him to go on until he is 21, and I think that that is a good education.

5194. (*Mr. Bonham-Carter.*) You would not make provision that under 12, or at some time before a child begins to understand what he is doing, the parent should represent him?—I would not.

5195. Would you give a minor above some such age as 14 or 16 power to withdraw?—No, not unless his father or guardian signed, as well as himself, a notice to withdraw. If the father or guardian signed a notice to withdraw, I should be willing to

pay the money to the child who had paid it in. That is the plan which we do adopt.

5196. You would only make minors investing members?—Of course we should not lend to anyone under 21.

(*Mr. Middleton.*) We could not lend unless we took security.

(*Mr. Dawson.*) A person would not be legally competent to borrow under the age of 21.

5197. (*Chairman.*) Are there any terminating societies in Leeds?—(*Mr. Middleton.*) There are.

(*Mr. Dawson.*) I know of one, namely, the Holbeck society, which is within the borough of Leeds.

5198. Have they diminished? Were there more terminating societies at one time than there are now?—(*Mr. Fatkin.*) There were a great number. Our society, I believe, was the first which commenced on the permanent system. Terminating societies are generally a great disadvantage to the members, because in the last three or four years investors are compelled to take out their shares, and they sacrifice any profits which they have made.

5199. May I take it that the permanent principle is the one which is generally adopted in Leeds?—Yes.

(*Mr. Dawson.*) Mr. Fatkin, who has had more experience with regard to the societies than I have, is prepared to say that terminating societies are disadvantageous.

(*Mr. Middleton.*) With regard to terminating societies, you necessarily see that they have to lend their money from the contributions. If a terminating society has obtained payments extending over 8 or 9 or 10 years, if it has to make advances, it must make advances to its members at such a figure per share, as that they will be paid off during the continuance of the society. Now men will not borrow under those circumstances, their payments would be too heavy for them to borrow if they wanted to obtain a proper amount of money, and the consequence is that the funds accumulate, and they ballot the members out, or else they lose their profits.

5200. Is there any other remark which any of you gentlemen wish to make?—(*Mr. Dawson.*) I think not.

The witnesses withdrew.

Mr. JOHN LLOYD JONES and Mr. JAMES BOLTON REAY examined.

5201. (*Chairman, to Mr. Jones.*) I believe that you represent several building societies at Liverpool?—I represent two, namely, the Chatham and the Second Chatham.

5202. Are those both permanent societies?—They are.

5203. (*To Mr. Reay.*) What societies do you represent?—I represent four terminating societies and two permanent societies. The two permanent societies are the Prince's Park and the Working Men's. The terminating ones are the Sefton, the Second and Third Great George's, and the Sixth Prince Llewelyn.

5204. (*To Mr. Jones.*) Taking the two Chatham societies, what is the number of the members of those societies?—The number of members in the two is about 2,650.

5205. Are they both under the management of the same officers?—Principally so, but not entirely.

5206. How is it that they were formed as separate societies, instead of consisting of one society only?—One society pays the dividend at Christmas and the other in June, so as to make it a half-yearly dividend between the two societies; that was the chief cause.

5207. Are the same persons members of both societies?—Yes, several of them.

5208. I see that in the cases of both these societies the shares consist of what are called preference shares and ordinary shares?—Yes, in each case.

5209. And the amount of the shares in each is 10l.?—It is.

5210. With regard to the ordinary shares, there is an entrance fee of 1s.?—Yes.

5211. And with regard to the preference shares, there is no entrance fee?—There is not.

5212. Are you in the habit of paying a fixed rate of interest per annum upon the ordinary shares, or in what way does the society work with reference to them?—On the ordinary shares the dividend is governed by the amount of the profits; in some years we have paid seven per cent.; in the last three years we paid six per cent.

5213. The preference shares receive a fixed dividend?—They do.

5214. Which of course is in the nature of a guaranteed interest?—Yes.

5215. I suppose I may take it that the preference shares are in the nature of loans to the society?—They are.

5216. How are they paid; must they be paid in the full sum of 10l.?—The preference shares, but not the ordinary shares.

5217. What is there in your rules with reference to preference shares?—There is a rule authorizing the issue of preference shares, which makes them a first charge on the property and assets of the society.

5218. Have your rules been certified?—They have.

5219. Can the preference shares be considered to have anything to do with the object of your society as stated in its first rule, namely, for the purpose of raising a fund out of which to make advances to the members, on the security of freehold, leasehold, or copyhold estate?—When the applications formerly were larger than the funds in hand, of course it was desirable for the society to be able to borrow money,

*Mr. T. Dawson.*  
*Mr. J. W.*  
*Middleton.*  
*Mr. T. Fatkin.*

28 April 1871.

*Mr. J. L. Jones.*  
*Mr. J. B. Reay.*



Mr. J. L. Jones  
Mr. J. B. Reay.

28 April 1871.

and we created preference shares rather than issue promissory notes on the security of the trustees.

5220. Is this practice of issuing preference shares, instead of loans, common in Liverpool?—I do not think that it is very common. There are several societies which do so.

(Mr. Reay.) We have adopted it in one of our societies, namely, the Working Men's. There are not many societies in which it is adopted.

(Mr. Jones.) It is only in the last four or five years that the system has come into operation.

5221. Was it adopted to evade difficulties connected with borrowing?—It was adopted principally to relieve the trustees from personal liability.

5222. It being the case that the only way in which the societies could borrow, was upon the personal security of the trustees?—It used to be so.

5223. From what sources are the profits derived, from which you pay the dividends of six and seven per cent. on the ordinary shares?—Principally from interest on mortgages, or the money advanced, and partly from premiums.

5224. Will you state to the Commissioners what interest is charged upon the money advanced, and what is the rate of premiums?—We have different scales; generally the scale which is chosen (that is at the option of the borrower) is the 20 years' scale, at five per cent. interest.

5225. Is the rate of interest charged upon tables which have been calculated by any actuary?—Yes.

5226. And it is the same with reference to both your societies?—It is.

5227. What are the premiums which are charged?—On the 20 years' scale of repayment, it ranges from 8 up to 12 per cent., according to the demand; at present it is about nine per cent.

5228. I see that, under the 9th rule of the Chatham Permanent Benefit Building Society, it is provided that the advanced shares "shall not be issued at less than the following rates of premium," which are those which you have stated?—No.

5229. Are they ever issued at more?—Yes, those are only the minimum rates.

5230. Then the minimum rate is what you have stated?—No; the minimum rate upon the 20 years' scale, as I think you will find, is six per cent. The committee have no power to advance money on that scale below that rate under the rules, but they may advance money at a higher rate.

5231. What has been the actual practice of the society since its formation? What should you name as the average rate of premium which has been paid for advances?—For all the money which has been advanced upon that scale, about eight per cent. In the first years we advanced a large amount at six per cent. In after years, when the demand was greater, we advanced a large amount at 10 per cent., and latterly we have been advancing at nine per cent. I should think that eight per cent. would be the average.

5232. Is 10 per cent. the highest rate which has ever been known?—It has been the highest rate at which we have ever advanced, but I have known other societies to charge as high as 12 or 15 per cent.

5233. Then in fact, in your society, the investors, or the ordinary shareholders in fact, make a profit out of the necessities of the advanced members?—They do.

5234. (To Mr. Reay.) Do the two permanent societies with which you are connected follow the same practice with regard to advances?—Yes, I think I may say that we do. Our tables are upon the 20 years' scale, and we charge 10 per cent. premium. 10½ per cent. is down in the scale, but the committee have advanced at 10 per cent., and even at nine per cent., but 10 per cent. is what we generally get, and five per cent. interest.

5235. What has been the highest rate of premium which you have charged?—We have never charged beyond 10½ per cent. upon that scale.

5236. Then have both of you in your societies adopted that 20 years' scale as a rule?—Yes.

(Mr. Jones.) I should think that about 80 per cent.

of the money advanced is advanced upon that scale, so far as my societies are concerned.

(Mr. Reay.) In one of my societies, namely, the Prince's Park, a good many of the borrowers have chosen table 5, which is a 16 years' scale, upon which interest is charged at six per cent., and only a small premium; they do not mind the higher rate of interest, because they get out more cash and pay a less premium.

5237. What is the number of members of the two permanent societies with which you are connected?—In the Prince's Park society there are 612 members, holding 4,833½ shares. In the Working Men's Permanent Society there are between 500 and 600 members, and the shares are 5½ shares, and there is 6d. entrance. In that society we have a large number of the working classes. In the other case the shares are 10½ shares.

5238. Have both those societies preference shares?—The Prince's Park Society has never issued any preference shares; the Working Men's Society have adopted them.

5239. Is the rate of interest upon the preference shares the same as in the Chatham societies?—No; we pay once a year, in the same way as the other dividends. The committee must pay not less than five per cent. on the preference shares; they are not bound to pay more.

5240. Could the preference shares receive more?—Yes, if the committee chose, but so far we have not paid more.

5241. They do not participate in profits?—No, and they pay no entrance fee.

5242. In both those societies the ordinary shareholders for this year, I see, receive a dividend of six per cent.?—Yes; sometimes we have paid seven per cent. Seven per cent. is the highest which we have paid.

5243. Can you give us any figures to show the extent of the operations of these societies? You have stated the number of members, and the number of shares, but I have not the amount of capital?—The balance sheet will show that.

5244. The subscriptions in the Working Men's Society up to December 1870 amounted to 26,255½. 19s. 8d., less the withdrawals 2,804½. 5s. 4d., leaving the nett amount 23,451½. 14s. 4d.?—Yes.

5245. And the balances due from members, secured by mortgages, were 27,326½.?—Yes, and there is a list given showing where the mortgages are situated.

5246. The preference shares in that society only amount to 290½.?—Yes, they have never largely availed themselves of it. We have a small amount on loan upon the trustees' promissory notes in the Working Men's Society.

5247. 1711½.?—Yes, we are gradually paying it off. In the Prince's Park Society we have paid it all off.

5248. In the Prince's Park Society the subscriptions are 48,000½. odd?—Yes.

5249. And the balances due from members are 57,268½.?—Yes.

5250. (To Mr. Jones.) Taking your Chatham societies, I see that the Chatham Permanent Society has received 152,757½. 8s. 10d. in subscriptions?—Yes.

5251. It has outstanding on mortgages 175,785½. 5s. 10d., and the balance of subscriptions after withdrawals is 132,037½. 18s. 10d.?—Yes.

5252. And that society has received 22,200½. on preference shares, and 6,000½. on loans?—Yes; 3,000½. of the loans has been paid off since the report was issued, and the remaining 3,000½. is going to be paid off directly.

5253. Will you state the same figures with regard to the Second Chatham Society?—In the First Chatham Society from the commencement we have advanced 354,000½. on mortgage. The balance of subscriptions in the Second Chatham Society is 56,260½., and 10,060½. in preference shares. The balance owing from borrowers is 71,818½.

5254. What is the practice of your two societies

with regard to withdrawals by shareholders?—We are entitled to a month's notice according to the rules, but as a general practice we pay without any notice, whenever the parties require it. If the amounts are large, we generally like to have a month's notice, but with small amounts we frequently pay without any notice at all.

5355. (*To Mr. Reay.*) Is that your practice also?—It is.

5256. (*To Mr. Jones.*) What is the average amount of a mortgage in your society?—I should think about 1,000*l.*

5257. (*To Mr. Reay.*) And in yours how much is it?—In the Prince's Park Society we have in the report one mortgage as high as 2,381*l.*, but that is in the previous year. The highest which we have at the present moment is 6,000*l.*,—that was a special advance.

5258. What is the average amount of the mortgages?—I should say pretty similar to Mr. Jones's. We are all much alike as far as the funds are concerned, and I should think that in most of our societies in Liverpool the average would be the same.

(*Mr. Jones.*) The average in all the permanent societies would be about 1,000*l.* in Liverpool.

5259. Of what class are the members of the society composed?—The investors are for the most part working people.

5260. And who are the borrowers?—The borrowers are a large number of them builders, and others who buy property with the view of working it out through the societies.

(*Mr. Reay.*) Tradesmen.

5261. I suppose that the amount which you have named, 1,000*l.*, would hardly be invested upon an ordinary working man's house in Liverpool?

(*Mr. Jones.*) No, not on one house.

5262. Therefore your building societies in Liverpool do not meet the wishes of the working men with regard to borrowing so much as with regard to investing?—No. The working men in Liverpool do very little in the way of buying through building societies; they are of too migratory a character.

(*Mr. Reay.*) And they are too improvident also.

(*Mr. Jones.*) They do not avail themselves of it directly to any extent. But a very large number of the houses that are erected in Liverpool for the working classes,—houses from 3*s.* to 6*s.* per week—are erected under advances from building societies, or are mortgaged to them as soon as finished. Probably very few of that class of houses would have been built during the last 10 or 20 years, but for the facilities afforded by these institutions.

(*Mr. Reay.*) In the Working Men's Society, however, we have several of the working classes who are borrowers for single houses.

5263. What sort of advance would you make to a working man for a house?—If the house was valued by two surveyors at 150*l.*, the committee would probably look to the man's character, and if he was known to the committee they would lend him 130*l.* or 125*l.*, and then he would have to find the difference himself; they would not lend him the whole amount.

5264. Are there many advances of that amount in your Working Men's Society?—In the Working Men's Society there are, I think, several.

5265. But that, as I understand, is an exception to the general rule?—Yes; still they largely avail themselves of the society for investing, although not for borrowing.

5266. (*To Mr. Jones.*) In the eighth annual report of the Chatham Permanent Benefit Building Society I see the following paragraph:—"The depression of trade mentioned in the last annual report has unfortunately not abated, and the directors have this year experienced a greater difficulty in obtaining suitable investments than at any former period. They have, therefore, rather than make advances on doubtful securities, paid off a considerable portion of the preference capital, which will account

"for the business done this year being smaller than in former years?"—Yes.

5267. Would that paragraph represent the general practice of your societies?—Yes.

(*Mr. Reay.*) We have all had difficulty.

(*Mr. Jones.*) We have power in our rules to give notice to the preference shareholders to pay them off; and they have power to give notice to be paid off. If we have too much money, we avail ourselves of that power.

5268. Then, in fact, your preference capital is simply borrowed for the purpose of investing in that way?—Yes.

5269. What is the practice of your societies with regard to fines for nonpayment?—We fine borrowing members five per cent. per month on the amount of arrears. If the subscriptions are not paid, there is a fine of one shilling in the pound on the amount of the arrears.

5270. That would be 60 per cent. per annum?—Yes.

5271. (*To Mr. Reay.*) Is that about the same rate as your charge?—Yes, I think that it is the universal practice in Liverpool. I never heard of any society charging less. It is of course more a penal matter than anything else.

5272. Are fines often inflicted?—Yes; it is the very large amount of the fine which keeps the borrowers in a proper position. With a great number of them, I fancy that if we charged them a simple five per cent. fine they would not care, because they could make a good deal more of the money in the month. I believe myself that it was originally intended as a penal clause more than anything else; not with the view of making a profit out of it, but simply to compel the parties to make their payments, so that the society might have a continuous flow of money coming in.

(*Mr. Jones.*) We consider it a bad feature in a society to have a very heavy amount of fines.

5273. What do you call a very heavy amount?—I have seen some societies of only a few thousand pounds, or say about 20,000*l.*, having more than 300*l.* annual receipts in fines. I have seen reports of the sort.

5274. (*To Mr. Reay.*) I see that the Prince's Park Society received 135*l.* from fines?—That mainly arose from one individual who has since failed. The others were small fines.

5275. The Working Men's Building Society received only 29*l.* 5*s.* 10*d.* from fines in the year 1870?—Yes. We give the members a reminder every month if they get behind, but they are generally very good payers. We have power to take possession in a month if we choose to exercise it, but it is very seldom that the committee exercise that power, unless they have a scamp to deal with.

5276. In the Working Men's Society have you many such cases?—We have one case in the Working Men's Society, where the man is employed in the sanitary department of the corporation of Liverpool, and we have been obliged to advertise his house for sale. He is behind for two years.

5277. Do you think that that is more the case with that class of persons than with the better classes?—No; I think that as a rule the better classes take advantage of it. A working man cannot pay the fine, and makes an effort to keep up his payment, but the better class in society do not mind it.

5278. (*To Mr. Jones.*) Your fines for the year 1870 in reference to the Chatham Permanent Building Society amount to 279*l.* 3*s.* 2*d.*?—Yes.

5279. Is not that rather a large amount according to your own answer?—I think not, on the amount of the capital.

5280. In the smaller Chatham society they only amounted to 29*l.* 9*s.* 8*d.*?—Yes.

(*Mr. Reay.*) With us, the same fine is inflicted upon an investing member as upon a borrower for non-payment.

5281. (*To Mr. Jones.*) Is that so in your society?—No, but I believe it is in all others.

*Mr. J. L. Jones*  
*Mr. J. B. Reay.*

28 April 1871.



Mr. J. L. Jones.  
Mr. J. B. Reay.

28 April 1871.

(*Mr. Reay.*) In the terminating and permanent societies with which I have had to do, there is the same fine. Personally I have the feeling that I would not fine an investing member in a permanent society, but only in a terminating one, because in the former we do not rely upon his payment coming in. He generally pays down the 10*l.* and has done with it, but we rely upon the borrowing members. In the terminating societies we rely upon all the shares realising so much a month.

5282. Is there a reserve fund in your societies?—  
Yes.

5283. (*To Mr. Jones.*) Is there a reserve fund in your societies?—There is a reserve premium.

5284. How is that worked?—When we advance money on the 20 years' scale we charge the premiums at the time. The whole 9 or 10 per cent. is then carried to the profit and loss account, but of course that premium extends over 20 years, and we only take a portion for the purposes of dividend, and every year we carry forward the unrealised premium for future dividend. We have had that amount calculated by an actuary, and he has on several occasions in our society, though not in the last year, certified it to be about 2,000*l.* above the exact amount required.

5285. (*To Mr. Reay.*) Is that your practice also?—Our accounts have not been valued by an actuary. Our premiums are not reserved in the form in which Mr. Jones puts it. The committee are required to carry forward a certain sum out of the year's profits to the reserve fund. It is not to be less than five per cent. of the amount applicable to dividends; and in the Prince's Park Society we have provided 2,000*l.* We add something every year, and then declare a dividend; and we carry forward the balance remaining until the next year. That reserve fund of course is to meet any losses; we do not touch it again for dividends.

(*Mr. Jones.*) The permanent societies generally in Liverpool have a separate account, which is called the reserve fund account. That is intended to meet losses made on properties which fall into the hands of the society. In my societies I do not keep any separate account, but I leave it all in the balance carried forward.

5286. The reserve fund in all cases would be for that object, would it not?—I presume that it would be.

5287. (*To Mr. Reay.*) With regard to terminating societies, can you state roughly the number of members in the societies which you represent?—I think that I have 400 or 500. After the second or third year of course they gradually diminish.

5288. Those societies which you have named are all still in operation, are they not?—Yes, those four societies. This is the last balance sheet of the second of those societies, which is the largest one that I have in operation (*producing the same*). The balance sheets are all issued in the same form, so far as ours are concerned. When that society started it had in the first year over 1,100 shares—1,200 shares, I think. I have drawn out a rough tabular statement of a few of the societies, showing down to the fifth and sixth year the number of shares in each year, and the amount upon loan. Two or three of them have been wound up. I have the figures of six. I will confine myself to the Second Great George's Society. In the first year we had 1,110 shares, and 10,500*l.* borrowed, and 1,000*l.* subscriptions paid in advance. In the second year the shares were 1,278, the amount of borrowed money was 17,800*l.*, and the amount in advance was 860*l.* In the third year the shares were 1,263, the amount borrowed was 11,927*l.*, and there was 679*l.* from subscriptions in advance. In the fourth year there were 1,152 shares, 7,800*l.* was on loan, and 1,300*l.* in advance. In the fifth year there were 1,007 shares, on loan there was 5,600*l.*, and in advance 800*l.* In the sixth year there were 873 shares, there was 5,800*l.* borrowed, and the subscriptions in advance were 680*l.* That society of course is still in operation. The one which I have quoted is the largest in operation.

5289. May that be taken as a fair example of the rate of progress in the others?—Yes; we had a larger number of shareholders, because it was just before the commercial panic set in in Liverpool. The Third Great George's Society was started immediately after the panic, and the same amount of business was not done; it was in a smaller way.

5290. Which description of society is the most popular in Liverpool—the permanent or the terminating one?—The terminating one. Terminating societies were the original societies in Liverpool, long before the permanent societies were thought of.

5291. When were the permanent societies first begun in Liverpool?

(*Mr. Jones.*) Twenty-four years ago. I am rather doubtful as to the correctness of Mr. Reay's statement, that terminating societies are more popular in Liverpool than permanent societies.

(*Mr. Reay.*) There is a feeling now strongly in favour of terminating societies by a large number of people. Many of course prefer the permanent societies, because they want the annual dividend. In the terminating societies they go in for investing, and do not want the annual dividend; but they go in to make 120*l.*, and they will not withdraw unless they want the money.

5292. Have the operations of the terminating societies any influence in Liverpool upon the building of houses by the working classes, or would your remarks with regard to the permanent societies also apply to the terminating societies?—I should say that the working men generally prefer the permanent societies. If they borrow at all they borrow through the permanent societies, the payments in the terminating societies being much heavier; they are about 11 to 12 per cent. per annum, and of course they redeem their property in a very much shorter time. In a permanent society the repayment is only eight per cent. per annum, and then of course it extends over 20 years.

5293. Have the tables of the repayments of the terminating societies with which you are connected been certified by an actuary?—The rules have been certified. The payment is 10*s.* per month for every share held by a member, borrowed or unborrowed; there is no other scale so far as we are concerned. In all our terminating societies every member pays 10*s.* a month.

5294. How are the advances obtained?—The advances are made on the nominal sum of 120*l.* Some of the old societies are wound up now, and one will be wound up next year. They started at a premium of 70*l.*, and only 50*l.* was got in cash, but the security was for 120*l.* In the new societies we start at 65*l.* premium, and consequently get 55*l.* in cash; the difference is called premium.

5295. Does that premium apply to all these four societies?—Yes.

(*Mr. Jones.*) There is this difference between the permanent and the terminating societies, that in the permanent societies the profits are made up partly of interest and partly of premiums, whereas in the terminating societies they are made up of premiums only.

5296. (*To Mr. Reay.*) At the end of your terminating societies, what does any investing member receive?—120*l.* per share.

5297. What is the nominal amount of the shares?—These societies ordinarily run out so far as my experience goes under 12 years, and in 12 years the investing members pay 72*l.* and get 120*l.*, and the difference is their interest. If they wish to go out before the time, we give them a bonus of not less than five per cent. with compound interest. If they go out in the first year they get no interest, but afterwards, according to the prosperity of the society they get from five to seven per cent.; they get a larger bonus as the society becomes older.

5298. Do terminating societies receive loans?—  
Yes.

5299. To what extent?—We have no fixed limit. At the commencement of the society, the committee

pass a resolution which is put upon the minutes, authorising the trustees to borrow money for the purposes of the society, from the bankers or other persons willing to lend. Sometimes they put it down at 20,000*l.* if it is likely to be a large society, at not more than five per cent. interest.

5300. Is the power of borrowing inserted in the rules of any of these societies?—No, not in these terminating societies. In the Sixth Prince Llewelyn a clause was put in that the directors may receive subscriptions or other moneys by way of advance from members or others. I think that the Third Great George's Society copied it. That is the only power which we have. The provision to which I refer is in the rule for receiving subscriptions.

5301. That is the rule which refers to subscriptions on shares, is it not?—Yes; and those words were put in, thinking to obviate the difficulty with regard to borrowing. It is rather different to the old ones.

5302. On what security are the loans now taken by the society?—On the promissory notes of the trustees.

5303. On the personal security of the trustees?—Yes.

5304. Would they raise such an amount as you have stated entirely upon that security?—Yes.

5305. In what sort of position are the trustees?—They are generally men in a good position; many of them are tradesmen, and well to do.

5306. Would their personal security be sufficient for such sums as those?—Many of them are in a very good position, but I should doubt whether all of them would be able to pay such a sum as that if called upon. Generally speaking, we get men who are well known and in good position in business. Of course that would be a large sum for any man to be called upon to pay.

5307. Who are the lenders of these sums, are they working men?—No, they are people who are in a better class of life altogether. They get their five per cent. for the money, and they prefer that to investing it in dock bonds, where they get only their  $3\frac{1}{2}$  or 4 to 4 $\frac{1}{2}$  per cent., and they do not wish to take private mortgages for such small sums as 300*l.*, or 400*l.*, or 500*l.* Many of course are shareholders who lend the money.

5308. These loans are by no means investments of small savings on the part of working men?—No.

5309. But they are rather speculations?—They are investments made by well-to-do people who lend the money.

5310. Have any of these terminating societies failed?—None that I am connected with, and I may say that in Liverpool the terminating societies have been the most prosperous, and have invariably escaped loss.

5311. Have any of the permanent societies with which you are acquainted failed?—Yes, several in Liverpool.

5312. Can you give the Commission any instances?—The Liverpool and District Society is now in Chancery; it is a large society. They had a large amount of forfeited property on their hands, 29,000*l.* or 30,000*l.* worth of property, and they came to a standstill, and a lot of members wanted their money, and the trustees said, "No, the borrowed money must be paid first." The members said, "No, we must have our money, we shall not wait;" and so the trustees threw it into Chancery, and it is now winding up in Chancery.

5313. What cause led to that failure?—I believe that upon some four or five properties in Dublin and Glasgow they lent rather largely, and in Liverpool; and they could not sell; the properties were thrown upon their hands, and they could not realize, owing to the depreciation of property generally.

5314. How was it that they made advances upon property in Dublin and Glasgow?—I never had any personal connexion with the society. The societies in Liverpool do not of course confine themselves to Liverpool alone. For instance, in our own case we have lent as far as Maidstone in one case, and as far as Holywell and Holyhead.

5315. Is it the practice of Liverpool societies to lend money upon buildings in all parts of the kingdom? *Mr. J.L. Jones.*  
*Mr. J.B. Reay.*

(*Mr. Jones.*) We do not do it; we have invariably refused to go beyond Liverpool and the outskirts. 28 April 1871.

5316. Are you speaking of your own societies?—Yes.

(*Mr. Reay.*) As a rule we do not adopt it, the committee do not like it. It is only in certain cases, where the individuals have happened to be known, that the committee have been induced to go beyond Liverpool.

5317. How do you grant loans upon property at a distance?—We send one of the society's surveyors, and the mortgagor pays the expenses.

5318. Not knowing the locality, how can he judge of the value of the property?—I cannot say, unless he gets information from persons in the town.

5319. In your opinion, looking to the failure of the society of which you have spoken, is not the lending of money at a distance a very dangerous operation?—I think so, especially in large amounts.

5320. (*To Mr. Jones.*) Are you acquainted with any cases of societies which have failed?—Yes, I am now winding up one myself.

5321. What is that society?—It is a permanent society called the Brunel. It was carried on for three or four years by the secretary, Mr. Broadbridge. It was a small society with a capital of about 12,000*l.* They advanced about 9,000*l.* on one security in Tranmere near Birkenhead; it was secured to them partly on land and partly on buildings in course of erection. The man failed, the property was thrown upon their hands, and the society was put into my hands to wind up. We have managed to dispose of nearly all the properties. We have paid 7*l.* 2*s.* 6*d.* a share back to the shareholders, and we hope in a little time to be able to pay about 2*l.* more.

5322. That advance, I suppose, was made to a builder?—It was.

5323. Was the builder in any way connected with the society before the advance was made?—I am not aware whether he was or not. I was not then connected with the society; I merely act in the capacity of a liquidator.

5324. Are you aware on whose certificate as surveyor that advance was made?—I am.

5325. Had he any connexion with the builder?—I am not aware.

5326. He was, I suppose, the surveyor to the society?—Yes; there were two of them. The property at first was valued by three; I know that, by referring back to the minutes.

5327. Was there any suspicion of collusion between the surveyors and the builder with regard to that advance?—I have heard it rumoured, but I have no proof whatever of it. I know that the late secretary and the surveyors charged each other with something of that kind, but beyond that I have no knowledge whatever of the circumstances.

5328. (*To Mr. Reay.*) Was there any suspicion of the kind in the case to which you have referred?—I have not heard. I have the balance sheet of that society here if the Commission would like to see it. They had 29,000*l.* odd of forfeited property on their hands.

(*Mr. Jones.*) It is a very dangerous thing to go to a great distance. I know one case where a building society advanced 1,500*l.* upon property in Holyhead, and it fell into the hands of the society, and it was afterwards sold for 500*l.*

5329. Are your societies in any way connected with land societies?—No.

5330. (*To Mr. Reay.*) Does the same answer apply to your societies?—Yes; we have separate land societies in Liverpool.

5331. Do the building societies in any way invest their money in land societies?—No, I never heard of it.

5332. Are they managed by the same individuals?—(*Mr. Jones.*) No. The land societies are under the



*Mr. J.L. Jones.* Joint Stock Companies' Act. There is one secretary of a building society in Liverpool who is also a manager of a land company, but there is no other connection.

28 April 1871.

5333. You are not acquainted with any case in Liverpool of a society certified as a building society, but acting practically as a land society?—No, not in buying and selling.

(*Mr. Reay.*) Some societies occasionally lend on land without anything upon it, but my societies set their face against it, and will not lend upon land alone, except there is something there. They have always set their face against it. There was a society called the Artizan Society, with which I was concerned in the winding-up; the secretary's name was Charles Howell, and it appears that by some means or other he managed to swindle the society out of some 4,000*l.* or 5,000*l.*, and that was owing a good deal to his books not being efficiently audited. He got away to America, and the society had to be wound up; there was of course a rush, and the members of the society got 5*l.* 6*s.* 6*d.* a share for their 10*l.*

5334. That was owing to the default of the secretary?—Yes; the accounts were only audited by the members of the society.

5335. Does that suggest to you any necessity for the Legislature enforcing upon these societies a professional audit?—That is my view, that there should be professional audits. I advocated it at Liverpool, because I think that a feeling is springing up amongst the shareholders generally that they prefer a professional audit; and for my part, as a secretary, I should be very glad to have gentlemen auditing the accounts who understand accounts—it is more satisfactory to us and to the public. The accounts occasionally have been audited by persons of respectability, but not quite up to accounts, and a good deal has been taken for granted as correct. There is not that efficient audit which there ought to be. I am myself strongly in favour of a professional audit. I think that if the members ask for it, and are willing to pay for it, they ought to have it.

5336. Do you think that some form should be laid down by Parliament in which the accounts of societies should be drawn up? do you think that the law should simply compel them to have professional auditors?—I think the law should compel them to have professional auditors. I also think that the accounts should be uniform, and kept in such a way as to give the members every information which they can give.

5337. Looking to the different classes of building societies which exist, do you think it possible to settle a form which should be applicable to all?—The accounts are very different in terminating societies from those in permanent ones, but in permanent ones I think that there should be a uniform set of accounts.

(*Mr. Jones.*) I do not think that that should be applied to all permanent societies. In Liverpool and Manchester and London the accounts of permanent societies are drawn up quite differently. I do not think that Parliament should interfere so as to enforce a uniformity of accounts.

5338. But are you of opinion that Parliament should interfere so as to secure a professional audit?—I have my doubts about that also, because in Liverpool I find that in some building societies whose accounts have been audited by professional accountants they have managed sometimes to go wrong.

5339. Professional auditors are not always infallible?—They are not.

(*Mr. Reay.*) We had a strong instance of that in Liverpool in Barned's bank.

(*Mr. Jones.*) I think that it is a matter which might be left to the members themselves. In almost every instance I think that they would prefer having a professional auditor.

(*Mr. Reay.*) That plan is now adopted by several societies. Of course I should not object to one of the members going with the professional auditor and assisting him.

(*Mr. Jones.*) In my own societies we have always professional auditors.

(*Mr. Reay.*) With regard to a professional auditor, I can mention another instance of incorrectness in the audit of a society's accounts. I am told by the accountant, who happens to be a relation of mine, and therefore I know it to be true, that the secretary's accounts were wrong, and the accountant found that the accounts never balanced, and yet they have been audited year after year by auditors, and the man is a defaulter to the extent of 400*l.* It is only a small society.

5340. (*Sir Sydney Waterlow.*) I understood you to say that you thought the borrowing powers ought not to be restricted in any way?—I think that there ought to be some limit to the borrowing powers.

5341. Do you know the limit which was proposed to be fixed by the bill introduced by Mr. Gourley?—As far as I read the clause it seems to me to be unlimited. I wrote a letter upon that subject to Mr. Higham, and told him that I thought the power was rather liable to abuse if it was unlimited.

5342. What kind of limit do you think that there ought to be to the borrowing powers?—I prefer speaking for terminating societies; it is there essential that we should have the power of borrowing, it is a very great source of supply to a terminating society at its commencement. We cannot get on without it. I think that there should be a liberal limit, and as far as a terminating society is concerned I was thinking of liberty being given to borrow to the extent of five years' subscriptions—that is 30*l.* per share.

5343. At any period of the society?—After the second or third year they do not want it, and then they begin to be paid off, because they do the business in the first or second year. The purchased members are all anxious to come in in the first or second year, so as to get all the interest they can, and a large number of years to pay back the money. If they come in afterwards, they must pay a large amount for back shares.

5344. If you give those societies borrowing powers, where they have no subscribed capital, to the extent of 30*l.* per share, what security would there be to the lender?—Hitherto there has only been the security of the trustees. We have the security of the money coming in month by month, 10*s.* a share. If we have 1,000 shares we get 500*l.* a month, which we must have, because the subscribers in these societies as a rule go in to stop until they can get 120*l.* Some desire to withdraw, but we never have a rush, as in the case of a permanent society. After the first six or seven years the society have time to turn themselves round, and repay the borrowed money.

5345. But do you not think that the limit of the borrowing powers should rather be determined by the amount of money already subscribed?—Another view which I took of it was, that it might be upon the subscribed capital; but our subscribed capital is only a nominal one, a man pays 10*s.* a month to get 120*l.* If we restricted it to borrowing 10*s.* upon 10*s.* it would never do, we could not go on.

5346. Then practically you think that, in the case of terminating societies, the power of borrowing should be almost unlimited?—We ought to have a liberal limit. I would not say that it should be unlimited.

5347. It should be largely in excess of the amount paid up?—Yes, because it is absolutely essential to the working of the society. We are in the habit of receiving subscriptions up to five years in advance, and allowing a member five per cent. discount for paying in advance; that is frequently done, and it brings in a considerable amount of money.

5348. Would you not be satisfied with a limit to the borrowing powers equal to the amount paid up?—In the Second Great George's Society, as an instance, we had 1,000*l.* paid in advance in the first year,

and yet we had to borrow 10,500*l.* to carry on our business.

5349. How was it borrowed?—Upon the promissory notes of the trustees. The lenders have their interest half-yearly.

5350. What remuneration, or compensation, do the trustees receive for the risk which they take?—Nothing at all. Sometimes a trustee may be chairman, and he gets his chairman's fee of 2*s.* 6*d.*, or 1*s.*, or whatever may be fixed by the rules; but if he is simply a trustee he has nothing at all.

5351. Then whether he has given his note of hand for 1,000*l.* or 10,000*l.*, he gets no more compensation?—Certainly not.

5352. Do you find gentlemen without difficulty who are willing to take that risk?—In the terminating societies, at all events in Liverpool, we have experienced no difficulty in getting them.

(*Mr. Jones.*) I know some trustees in permanent societies who are liable for 50,000*l.*

(*Mr. Reay.*) I am speaking of terminating societies.

5353. In the terminating societies a trustee is liable for the whole of the loans, and he has nothing to rely upon but the undertaking of the members to pay their subscriptions?—Yes.

5354. And if the society is wound up in the second or third year, there is practically no one to pay the lender except the trustee himself?—So far as we have gone in Liverpool, we have never had to wind up the terminating societies in consequence of any derangement of their affairs—they have always run their natural course, with the exception of one society which was called the Third South Union. I believe that that society went wrong some years ago, but that is the only one which has come to grief so far as I know. In that case the members, I believe, had to pay back the full 120*l.*

5355. From your experience, do you think it a safe way to continue to borrow money in the case of terminating societies?—At present I cannot see any better plan; it is the very life of terminating societies to have the power to borrow liberally.

5356. Do you think that it would be a wise thing if Parliament should decide to relieve the trustees, and throw the responsibility for the repayment of the loans upon the members of the society generally?—I think that the trustees ought to be indemnified, and that if the powers of borrowing money are continued, they should be a first charge upon the assets of the society.

5357. Would you make the members individually liable to any extent beyond their shares?—That is a point which has been suggested to me in Liverpool by a gentleman who was connected with a building society. He was speaking of a permanent society, and he said, "If you will have borrowed money, I do not think that we should be liable beyond our 10*l.* per share." But in a terminating society, in the first month we perhaps may have 250*l.* coming in; we borrow 4,000*l.* or 5,000*l.*, but we know that we shall have 250*l.* more coming in every month afterwards.

5358. In that case do you think that the members should be made individually and collectively responsible for the repayment of the money borrowed by the trustees?—I think so. I think that the trustees should not be responsible.

5359. But you and Mr. Jones have said that the average amount of the mortgages in your societies is about 1,000*l.*?—Yes, speaking roughly.

5360. Should you regard those societies as building societies for the purpose of helping working men to obtain real property, or to build houses for themselves?—There is no question that the better class of people, as well as the working men, avail themselves of the advantages of those societies.

5361. Then are they not more in the nature of banks than of building societies?—(*Mr. Jones.*) They are more in the nature of mortgage associations. There are many instances of working men availing themselves of them, both as borrowers and as investors;

but that, I think, is not so to the same extent in Liverpool as in other places.

5362. Confining yourself to your own society, there are no working men whom you would trust with 1,000*l.*?—But we have many smaller amounts; that is the average amount.

(*Mr. Reay.*) Some mortgages are 2,000*l.*, and some 3,000*l.*; and there are smaller mortgages, namely, 200*l.* or 300*l.*

5363. While in some instances you lend small amounts, yet, as the average is 1,000*l.*, the large bulk of your business must be done in large loans, to persons of property and means?—That cannot be denied.

5364. Do you think that that class of people ought to continue to derive benefits in the form of exemption from stamp duties, which Parliament intended only to grant to the working classes?—I think that we are not prepared to advocate the abolition of stamp duties. I am afraid that we cannot resist the power to levy stamp duties.

(*Mr. Jones.*) The feeling in Liverpool generally is against the stamp duties, as far as regards building societies. I have been myself for some years rather the other way, because I cannot see why building societies' mortgages, as they are carried on in Liverpool, should be exempt from stamps more than any other mortgages; except in the case of small mortgages, where the money is advanced to working men, as was originally intended in building societies. Although the amount of the stamp duty is small, I think that it is still advisable that that exemption should continue.

5365. If that exemption continued in the case of building societies, do you not think that it might be equally desirable to extend it to all persons having mortgages for small amounts?—These societies were intended and were established to encourage the working classes in habits of providence; and as an encouragement to them, I think that there are some benefits due to these societies more than to private mortgagees.

5366. But I gather from the statement which you have made to the Commission as to the character of your operations, that you have really drifted away from the principle upon which building societies were originally contemplated, when the Act was passed for their benefit?—To a certain extent, and I only advocate these exemptions for small transactions, where we do keep to the original intention.

(*Mr. Reay.*) I think that the exemption should continue under 500*l.*

5367. Looking to the small amount of the stamp duties at the present time, do you think that the payment of them, or the nonpayment of them, would materially affect those societies?

(*Mr. Jones.*) No; I do not see much in it myself.

(*Mr. Reay.*) With regard to the terminating societies at Liverpool, we take security for 120*l.* when perhaps a man only gets half the money. The same stamp is levied upon that mortgage as upon a permanent mortgage, where perhaps a man gets all the money except 10 per cent.

5368. Do you agree with Mr. Jones in the opinion that the removal of the exemption from stamp duties, now that they are so small, would not materially affect the operations of these societies?—I do not think that it would.

5369. You told us that on the 20 years' scale you charged five per cent. interest?—Yes.

5370. Is that during the whole period? If a man borrows 100*l.* does he continue to pay 5*l.* per annum?—He makes the same payment, namely eight per cent. per annum, three per cent. for principal and five per cent. for interest, through the whole 20 years. It takes 8*l.* a year to pay off the principal and interest.

(*Mr. Jones.*) It is five per cent. on the balance each year.

5371. And the profit which you make is out of the premium?—(*Mr. Reay.*) Yes, together with the interest.

(*Mr. Jones.*) In the first year five per cent. goes to interest and three per cent. to principal. In each year a portion of the principal is paid off, and the proportion

*Mr. J. L. Jones.*  
*Mr. J. B. Reay.*

28 April 1871



*Mr. J. L. Jones.* of interest increases, so that the whole amount with interest is paid off in 20 years.

*Mr. J. B. Reay.* 5372. You have said that the investors in your society are often working men, whilst the borrowers are builders to a large extent?—Yes.

5373. Is it not necessary to be very careful in entrusting the savings of working men to the hands of speculative builders?—We endeavour to be cautious; and we have been so, so far that we have not made any losses of any consequence.

*(Mr. Reay.)* In the societies which I represent, the borrowers are of various classes of individuals, builders, tradesmen and others.

*(Mr. Jones.)* We have borrowers of all classes. We have builders, shopkeepers, and others.

5374. With regard to your preference shares, do you find that an easier method of obtaining money, when you want to make advances, than the ordinary method of borrowing through the trustees?—No; we do not find it any easier. If the parties wish to invest, we give them the option of investing either in preference shares or in ordinary shares.

5375. But you only take preference shares when you want money?—That is all.

5376. Do you find people ready to take up your preference shares, supposing that you suddenly want a large sum of money?

*(Mr. Reay.)* We receive very little in preference shares.

*(Mr. Jones.)* Our income is very regular, and we never have any sudden demand that I know of for a large amount. We sometimes have demands for 2,000*l.*, but we have arrangements with the bank, so that in all those cases we can overdraw 1,000*l.* or 1,500*l.* for a few days until we can pay it back.

5377. I suppose that you are ready at any time to advance money upon good security to anyone who brings it to you?—Yes, if we have the money.

*(Mr. Reay.)* If it is a good security, we go to the bank and get the money, or some other individual lends it. There is a point upon which I should like to remark in connection with the Liverpool and District Society, which is in Chancery. The shareholders who happened to give notice of withdrawal before the society stopped payment, by the decision of the Vice-Chancellor, have become creditors upon their fellow shareholders, and they are to get 20*s.* in the pound, while the others cannot. I think that there ought to be an amendment in the law in that respect, and that all should share and share alike.

5378. You think that there should be some alteration in the law with reference to the method of winding up building societies?—Yes, I decidedly think that is an evil.

5379. You have referred to Mr. Gourley's bill; do you know generally the provisions which are proposed?—I have read the bill, and the proposal of a voluntary winding up. I myself think that that is advantageous, and that the more we keep out of Chancery and law the better. The Liverpool and District Society was thrown into Chancery by the trustees.

5380. Then do you agree generally with the provisions of the bill?—I wrote a letter to Mr. Higham, and I objected only to the borrowing clause, saying that I thought it ought not to be unlimited.

*(Mr. Jones.)* I attended the conference at the Westminster Palace Hotel last summer on that bill, and as a rule I think that it was generally assented to in Liverpool, with the exception of the unlimited borrowing power. It is thought in Liverpool that an unlimited borrowing power would open the door to a large amount of fraud, because societies might be established, a large amount of money borrowed, and the shares withdrawn, so that really there would be no society. We in Liverpool consider that there certainly ought to be some limit.

5381. Subject then to an alteration of the clause in reference to the borrowing powers, and limiting them as you describe, do you think that the passing of that bill would be an advantage to building societies generally?—Yes, I consider so.

*(Mr. Reay.)* I certainly do. I think that if the law is consolidated and put into one Act of Parliament, people would understand it better, without having various decisions from county court judges up and down the country contradicting one another, and various other matters.

5382. Do you recollect the way in which the power of the registrar is proposed to be limited by that bill?—I think that that clause, namely, section 12, is a very good one, and I quite approve of it.

5383. Do you think that the power which the registrar at present possesses is larger than he ought to possess?—His present power, I apprehend, is simply confined to certifying the rules.

5384. That the rules are in accordance with law?—Just so, and it appears to me that there his power stops, so far as I understand it. I quite agree that the accounts should be annually registered with the registrar in London.

5385. And you think that it would be an advantage that the office of registrar should be continued?—I think so.

*(Mr. Jones.)* There is a feeling in Liverpool that the decision of the registrar with regard to the rules of building societies ought to be final. It has been repeatedly stated by solicitors in Liverpool, that though the rules may be certified by the registrar as being in accordance with law, it is not absolute proof that they are so. I think that it would be an advantage, if it could be done, that the certificate of the registrar should be final.

5386. You think that the certificate of the registrar should be positive evidence that the rules are in accordance with law?—Yes, so far as it can be done.

5387. That would be setting the registrar above the law courts?—*(Mr. Reay.)* I may say that the late registrar, Mr. Tidd Pratt, declined to certify a rule for borrowing, and struck it out, but the new registrar has put in that rule.

*(Mr. Richards.)* Your societies appear to be the means of receiving savings of working people and others, and lending to a class superior to working people?

*(Mr. Jones.)* They are so in Liverpool for the most part.

5388. Do you think that the money which you receive in preference shares is money which would not be likely to be saved in other ways?—I think that, as has been stated by Mr. Reay, it chiefly comes in from a class of men superior to the working men and to the ordinary shareholders, as a rule; but working men do invest also in that way.

*(Mr. Reay.)* They have no entrance fees; many of them prefer paying no entrance fees, and they are satisfied with five per cent. dividend, because there is the same power of withdrawal.

5389. *(To Mr. Jones.)* Are your preference shares usually taken by the working classes, or by a superior class?—I think that the greatest portion are taken by a superior class.

5390. In what form is the acknowledgment of payment given?—In the form of preference scrip.

5391. Signed by whom?—By the president and by the secretary.

5392. Does the president attend daily to transact the business?—No, not daily; he comes two or three times a week.

5393. Does he sign in blank?—No, a receipt is given for all the money received on account of the society in the office at the time; it refers to the scrip, and then the scrip is afterwards sent, by post generally, or the parties call for it.

5394. Have you any suggestion to make to the Commission with regard to any deficiencies in the existing law, with respect to facilities for carrying on the business of a building society?—I have not, any further than putting the borrowing powers beyond any doubt. The existence of this doubt as regards the borrowing powers of building societies has caused a very great deal of uneasiness in Liverpool, to such an extent in fact as to cause many of the societies there to become embarrassed. When the Liverpool and

District Society was put into Chancery, questions arose in reference to the borrowed money which put the trustees in a very awkward position, and the societies then began to pay off their loans. The members gave notices of withdrawal, and the societies were not able to meet them.

5395. Then you wish that building societies should be empowered, by a clear statutory enactment, to receive money on loan?—Yes, to a certain extent.

5396. And I gather from a previous answer of yours to Sir Sydney Waterlow, that you wish that the money so borrowed should be restricted in use to loans on property, and that it should not be invested at all in the purchase of land, or of any other property?—I do.

5397. You so far totally dissent from the 20th clause of Mr. Gourley's bill?—Yes.

5398. Have you an uniform rate of interest which you pay to depositors or preference shareholders?—We pay five per cent. if the money is in for 12 months and over, and three per cent. if it is in under 12 months.

5399. Is it uniform with respect to the ruling rate of interest in the kingdom?—We fix it for a certain term, and if we have occasion to alter it we give three months' notice.

5400. Have you had occasion to alter the rate?—Yes, we once did.

5401. Did you pay a higher rate than five per cent.?—Yes, for a small amount, soon after we commenced borrowing on preference shares.

5402. Having regard to the disasters which have befallen societies in your district, do you think that there should be any provision for limiting the amount of a single loan? Assuming that a loan of 9,000*l.* is made upon one property, as I understand to have been the case, do you think that there should be a restriction in future legislation as to the amount which should be lent by a building society on one property?—No; I do not see why building societies should be restricted more than private individuals.

5403. Do you think that the operations of a society ought to be limited geographically?—I think that it would be more advisable if it were so, but I do not know that there should be any legislation to that effect.

5404. You think that it ought to be left to the managers of societies for the time being?—Yes, we have always acted upon that principle in my societies.

5405. If I understand you, where societies have adhered to that principle they have usually succeeded, and perhaps I may say have uniformly succeeded; and where societies have come to grief, it has been from going away from Liverpool in the way of loans?—No, I do not exactly think that. So far as I am aware, there are not very many cases of Liverpool societies going to Scotland or Ireland, and there are many societies who are at present in an embarrassed condition from other causes.

(*Mr. Reay.*) At Birkenhead many Liverpool societies have lent money, and the property there is at the present time at a very low value, and has been for the last three or four years; they cannot sell it, and are obliged to hold it.

5406. Is it not one of the great features of societies of this character that their risks are distributed?—(*Mr. Jones.*) It is.

5407. And notwithstanding that, you would not put any restriction upon the amount lent on a particular property?—I think that it might be safely left to the committees themselves. Of course I should consider it unadvisable to lend a large amount myself, as the manager of a building society; but I do not know that I should like to have legislation upon the subject.

(*Mr. Reay.*) A suggestion was thrown out with respect to the question which you have put to Mr. Jones, and there have been instances in which a man has had the advance of all the purchase money.

(*Mr. Jones.*) I should consider that the board of directors of a building society should be guided by the amount of the capital of the society; a small society with 10,000*l.* or 12,000*l.* ought not to advance so

much, or on such risk, as a society with 150,000*l.* or 200,000*l.* If you put restrictions, it is very difficult to legislate for the large and for the small societies.

5408. (*To Mr. Reay.*) In your Second Great George Terminating Society you borrowed in your second year 17,800*l.*?—That was the amount at which it stood at the end of the second year.

5409. But you had borrowed 17,800*l.*?—Yes, that was the amount which was owing at the end of the second year.

5410. Was the property of the society hypothecated to the lenders of that money?—No.

5411. In whose hands were the deeds?—The deeds were in the society's box, looked up at the bankers. We take our box to the bankers for safe custody. There are three keys; the secretary, one of the trustees, and the chairman each hold a key for the safety of the deeds.

5412. Was any legal power over that property attempted to be given to the trustees, as a guarantee for the responsibility which they had undertaken in receiving that money?—None at all, so far as I am aware—not in our societies.

5413. You say that your shares are 120*l.*?—Yes.

5414. And you give 65*l.*?—We give 55*l.* The premium is 65*l.* A man gets 55*l.* in cash, and executes a security for 120*l.*

5415. How much would his property represent?—We act upon the same principle in a terminating society as in a permanent society; it is within a reasonable limit of the surveyor's valuations.

5416. What would it be, would it be two-thirds?—We go beyond that.

5417. How much?—Sometimes a building society, perhaps, will go up to nine-tenths.

5418. (*To Mr. Jones.*) Is that the practice in your societies?—No. I have seen cases in which they have gone within 10 per cent., including the premium, but not the net actual cash advanced.

5419. What would the average be?—From three-fourths to four-fifths. But I should say that our surveyors are practical men, and they value on quite a different basis from what professional valuers do ours generally go on this basis—supposing this property falls into the hands of the society what can we sell it for? The professional surveyors in Liverpool value it, not for the society but for the owners.

(*Mr. Reay.*) In a terminating society we take four valuers, two society's valuers and two professional valuers.

5420. Sixty-five pounds premium being paid by the borrower, is not the effect in a terminating society that the investor makes the most money?—In the long run I do not think that that is so much so. In one of the societies they started with a 70*l.* premium; that society is now near its termination, and we reckon that it will go for about the 12th year; so that for 50*l.* a man repays to the society 72*l.*, that is 22*l.* for interest, which is equal to 7½ per cent. during the whole time.

5421. What does the investor actually pay?—The investor, at the end of the 12th year, will have paid in 72*l.*, and he will get 120*l.*

5422. Calculating by your tables, at what rate of interest would the investor be paid?—At that rate he would get rather over eight per cent. compound interest.

5423. And the borrower pays how much?—Seven and a half per cent. simple interest.

5424. And the investor would receive eight per cent. compound interest?—Yes, because he has to wait for his money to make his 120*l.*; he does not get anything annually.

5425. But an investor may withdraw at any time?—Yes; but then he would not get the eight per cent.; in the first year he would get nothing.

5426. But I understand you to say, that after the first year he would be entitled to not less than five per cent. compound interest?—Yes.

5427. The operation practically is that the investors receive eight per cent. compound interest?—I should say from seven to eight per cent.

*Mr. J. L. Jones.*

*Mr. J. B. Reay.*

28 April 1871.



*Mr. J.L. Jones.* (Mr. Jones.) A great number of the investing shareholders in terminating societies withdraw during the existence of the society, and they generally go out at about five per cent., and upon the borrowed money only five per cent. is paid, and thus we often get about eight per cent. profit.

(Mr. Reay.) In 1870, in the Second Great George's Terminating Society, we gave a bonus of 7*l.* a share to the withdrawing members; it was at the end of the fifth year. To those who would go out we offered a bonus of 7*l.* a share—that was because it was a large society, and the committee wanted to weed them; it was equal to about 8½ per cent. compound interest at the end of the fifth year; but it was not repeated; this year the committee have only increased the bonus by about 30*s.*

5428. Are terminating societies as a rule started by men who desire that those societies should exist as means of investment, or are they started by men who desire to borrow?—It is mutual.

5429. Having regard to the facilities of borrowing, does your experience lead you to favour the permanent principle rather than the terminating?—I am strongly in favour of the terminating principle, for one simple reason, namely, that at Liverpool the terminating societies have invariably escaped losses; we seem to get a better class of borrowers.

5430. But the same care in the conduct of a permanent society would probably have brought about a better result?—Yes. The payment in a terminating society is heavier, and we do not get the same class of men as we do in a permanent society. In a terminating society borrowers must be able to pay out of their own pockets four or five per cent. more than a man in a permanent society would pay; one man pays, say 8, the other 10 or 12 per cent. I am speaking not of interest but of the repayment, because it runs out in a less time.

5431. (Chairman to Mr. Jones.) Do you wish to make any statement to the Commissioners with reference to the form of accounts of the societies?—There is a very strong feeling in Liverpool upon that subject. The accounts have been made up including the premiums with the profits, and that at the earlier stages of the society has rather misled the committees; they have looked upon the premium as realised profit as soon as it has passed to profit and loss, and many societies in the first years have paid as high a sum in dividends as eight or nine per cent; that of course absorbs all the premiums during the first few years of the society, and the dividends come down to four or five per cent. Then there is a rush of withdrawals from the society, and societies sometimes get into difficulties through that circumstance. There is a very strong feeling in Liverpool that societies should be compelled to retain in hand the unrealised premiums, that is to say, the portion of the premiums due to future years.

5432. Have many societies in Liverpool followed the course which you recommend?—There are only a few which have done so, that is, by getting an actuarial valuation.

5433. (To Mr. Reay.) What is your view upon that point?—I think with Mr. Jones that the premium should not be treated as realised profit, but that it ought to be spread over a number of years, because the money is lent for 20 years. I know that many societies have taken it all into the year, paying a seven per cent. dividend, and now they find that they cannot keep it up.

5434. But to carry that out requires an actuarial calculation, does it not?—I do not think that it is necessary for us.

(Mr. Jones.) Yes, I have my society valued every year.

(Mr. Reay.) With regard to the premium, if the society for 20 years calculated the premium at one-twentieth per annum, it does not require an actuarial valuation.

5435. The tables of your society, I think you say, have not been prepared by an actuary?—No; they are ordinary rules, copied from others.

5436. (To Mr. Jones.) Do you wish to say anything with reference to the withdrawal of members?—In the case of a society which is now in Chancery, namely, the Liverpool and District Society, the judge has ruled that those who gave notice in consequence of a clause in the rules that they ceased to be members, became creditors upon the assets of the society, and were entitled to their 10*l.* share in full; and that those who did not give notice must take whatever they could get. I think that something should be done, so that the members of societies should not be in that position. I would add that, although I consider the unlimited power of withdrawal is a source of some danger to societies, I do not think it advisable in any way to limit it, because the facility with which money can be withdrawn is one of their strongest recommendations, especially with the working classes. It should be for the societies to put themselves in such a position financially, by having a good reserve fund, as that the members might feel that it was not their interest to withdraw.

5437. There is a point in the accounts of your societies to which I wish to refer, and that is the charge in both of them for secretary's commission and office expenses. I see that in the accounts of the Chatham Permanent Building Society for the eighth year, ending December 1870, there is a charge under that head of 57*0l.*?—Yes.

5438. How is that made up?—It is made up by a per-centage on the amount outstanding, and on the amount of new business during the year.

5439. What is that per-centage?—5*s.* 6*d.* per cent. on the amount outstanding at the beginning of the year, and 6*s.* 9*d.*, I think, on the fresh business.

5440. By "outstanding" you mean the amount outstanding on mortgages?—Yes.

5441. Was that arranged with a view to induce the secretary as far as possible to increase the business of the society?—It is left entirely in the hands of the directors, they fix it at the end of each year. In the rules the commission is fixed at the minimum of 5*s.* per cent. and at the maximum of 7*s.* 6*d.*

5442. What was the object of paying the secretary by commission rather than by annual salary?—It has been the usual course in Liverpool. I do not know what is the object of it. I may say that the secretaries of building societies in Liverpool generally do not confine themselves entirely to building societies. Some have a large number of societies, and others have other businesses besides, so that it has been thought the most satisfactory way, I presume, to pay them for the amount of business done.

5443. Under the same head in the accounts of the Second Chatham Building Society there is the sum of 295*l.*?—Yes.

5444. So that the secretary of these two societies received 865*l.* for the year?—Yes. Out of that I pay 100*l.* a year for rent of offices, and I have four clerks.

5445. In whose hands does the appointment of secretary to these societies rest?—He is subject to the control of the directors.

5446. Is he appointed by the directors?—He is appointed by the first meeting.

(Mr. Reay.) My appointment as secretary is that I am nominated by the committee, subject to the approval of the members. When a society is started the first secretary is generally named in the rules, and upon death the committee appoint another.

5447. Is it the case or not that the secretary is the real founder of the society?—(Mr. Jones.) It is not so. So far as regards any power of advancing, or anything of that sort, the secretary has no power whatever.

5448. Is he not the real founder of the society?—Not at all. I was not the founder of the Chatham Societies. In some cases it might be so.

5449. Were you appointed by the directors, or were you nominated in the rules?—I was not nominated in the rules, to the best of my knowledge, but I was nominated at the first meeting which was convened in respect of it; in fact I was requested to become

secretary by a certain number of members; they got a petition signed by about 40 persons requesting me to undertake the office.

5450. Had you had any previous connexion with building societies?—I had to some extent.

5451. Are you now connected with any other societies except the two which you have named?—I am connected as a shareholder with one terminating society.

5452. I meant as an officer?—No, I am not; at least I am nominally a director, but it is a society of about 11 years old, and I am a purchased member in it; we meet about once a year. I was connected with about half a dozen societies before we started the Chatham society, but when I undertook that I gave them all up.

5453. (To Mr. Reay.) With reference to your societies I notice that a Mr. Hughes is the secretary?—He is dead.

5454. He is named in these rules?—Yes, but he has been dead for between two and three years; his son and myself are now the joint secretaries. I was the late Mr. Hughes's manager.

5455. Are you and the present Mr. Hughes secretaries to all these six societies?—We are.

5456. I have only the balance sheets of two or three of those societies. Can you state what remuneration you receive in that capacity?—In the Prince's Park Society we get four per cent. upon the net profits of the year, after deducting the working expenses.

5457. It amounted last year to 127*l.* 17*s.*?—Yes; the late Mr. Hughes had a standing salary of 200*l.* because his society was very small when he took it, only having five mortgages, and he worked it up to a large amount.

5458. Your salary as secretary of the Second Great George's Society I see is 40*l.*?—Yes.

5459. And of the Working Men's Society 60*l.*?—Yes.

5460. The sums in the Sefton, the Sixth Prince Llewelyn, and the First Great George's, do not appear from the rules?—The salary in the terminating socie-

ties is reduced as the society gets older; perhaps we get down to 20*l.* in the last year or two.

5461. Do you object to state your total receipts as secretary from these societies?—I have not the slightest objection. The salaries in the Second Great George's and the Third Great George's were each 40*l.* last year, in the Sixth Prince Llewelyn 30*l.*, and in the Sefton, I think, 25*l.* In all probability in the Sixth Prince Llewelyn it will now be reduced to 25*l.* In the Working Men's Society it is not fixed on any basis; the committee say, "We think that that is a fair sum," and it is not fixed on any basis at all; but I think that there will be an alteration, and that it will be fixed by commission, in all probability, the same as in the Prince's Park Society this year.

5462. What is the total amount of your salary as secretary to these societies?—322*l.* it would appear to be.

5463. Do you fill any official position with reference to any other societies?—No; I am not connected with any other building societies excepting my own, either as shareholder or manager.

5464. I see that Messrs. Howarth are the surveyors of each of those societies?—Yes, they are professional architects and surveyors.

5465. They are paid by a commission upon each transaction?—They are paid a fee of 10*s.* if the property is within three miles of the town hall, and if beyond that, such reasonable sum as the committee may think necessary.

5466. Have any calculations been made as to their profits from that business?—No. In the terminating societies there is nothing for them to do after the first three or four years; in the permanent ones sometimes they get 4*l.* or 5*l.* in the year. In the Prince's Park Society, or in the Working Men's Society, I do not remember their ever reaching 10*l.* in any one year since I have had anything to do with them.

5467. Is there any other statement which either of you gentlemen wish to make?—(Mr. Jones.) No. (Mr. Reay.) I think that we have explained ourselves as fully as we could.

The witnesses withdrew.

Adjourned to Friday next, at half-past 11 o'clock.

A TABULAR STATEMENT showing the Amount of Loans, &c. in Three Terminated Building Societies, conducted by the late Mr. J. B. Hughes at Liverpool (referred to in answer to Question 5288).

The Prince of Wales Building Society.

Year.	Shares.	Loans.	Subscriptions in Advance.	Remarks.
First	781	£ 4,958	£ 372	This society had in hand at end of fifth year cash amounting to 1,906 <i>l.</i> , the loans having all been paid off.
Second	785	3,545	287	
Third	753	3,100	200	
Fourth	634	1,245	105	
Fifth	626	Nil.	Nil.	

The society terminated in 11 years and 8 months, paying the investing members 120*l.* per share.

The Fifth Prince Llewelyn Building Society.

Year.	Shares.	Loans.	Subscriptions in Advance.	Remarks.
First	870½	£ 6,203	£ 1,015	This society terminated under 11 years 11 months, paying the investing members 120 <i>l.</i> per share.
Second	1,006½	7,728	751	
Third	845½	4,670	406	
Fourth	672	5,148	211	
Fifth	614	4,728	64	
Sixth	565½	2,437	64	
Seventh	465½	1,840	229	
Eighth	388½	1,471	7	
Ninth	374½	Nil.	Nil.	

The First Great George Building Society.

Year.	Shares.	Loans.	Subscriptions in Advance.	Remarks.
First	707½	£ 5,344	£ 1,095	This society terminated by mutual arrangement at the end of 10 years, paying the investing members 97 <i>l.</i> 10 <i>s.</i> per share for 60 <i>l.</i> paid in, or a bonus of 37 <i>l.</i> 10 <i>s.</i> per share.
Second	853½	10,613	883	
Third	797½	10,090	567	
Fourth	730½	7,884	1,005	
Fifth	733½	8,241	766	
Sixth	677½	5,974	886	
Seventh	646½	4,728	643	
Eighth	620½	707	542	
Ninth	541½	200	682	

A TABULAR STATEMENT showing Amount of Loans, &c. in Three Terminating Building Societies now being in operation.

Second Great George Building Society.

Year.	Shares.	Loans.	Subscriptions in Advance.	Remarks.
First	1,110	£ 10,500	£ 1,000	—
Second	1,278	17,500	860	
Third	1,263	11,927	679	
Fourth	1,123	7,500	1,300	
Fifth	1,007	5,600	800	
Sixth	873	5,500	680	

Third Great George Building Society.

Year.	Shares.	Loans.	Subscriptions in Advance.	Remarks.
First	832	£ 6,441	£ 2,454	—
Second	896	6,029	1,752	
Third	800½	2,569	1,019	
Fourth	763	1,116	1,299	

Sixth Prince Llewelyn Building Society.

Year.	Shares.	Loans.	Subscriptions in Advance.	Remarks.
First	507½	£ 7,960	£ 616	—
Second	519	6,598	679	
Third	496	4,568	391	
Fourth	453½	3,534	168	
Fifth	434½	2,008	11	



Friday, 5th May 1871.

PRESENT:

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

JOHN BONHAM-CARTER, Esq., M.P.

CHARLES SAVILE ROUNDELL, Esq.

Mr. S. Andrew.

Mr. SILAS ANDREW examined.

5 May 1871.

5468. (*Chairman.*) I believe that you have been connected with building societies in Ashton-under-Lyne, both of the terminating and of the permanent description?—I have.

5469. What are the terminating societies with which you have been connected?—The first was the Borough of Ashton-under-Lyne Benefit Building Society, which was established in 1850; it terminated in some part of 1864. I cannot state the exact date; it would be about May. The next was the Second Swan Building Society in Ashton-under-Lyne. That society was established in 1850, and it was finished in February 1864. The next was the Third Swan Building Society. It was established in 1855, and it was finished in about December 1868. The next was the Fourth Swan Building Society. It was established in March 1859, and it is still in existence.

5470. When does that society terminate?—It will terminate in about 14 months hence.

5471. Can you give the Commission any idea of the extent of each of those societies, their number of members, and their financial position?—I can. The first of them which I have mentioned, namely, the Borough Building Society, averaged about 40 members, and the total amount subscribed by members during the existence of the society was over 20,000*l.* We have never borrowed money for any of the societies with which I have been connected, unless it has been an extraordinary advance which we have required, and then we have got it from the bank.

5472. You have made no practice of borrowing?—No; we have always had an objection to it. The next society was the Second Swan society. There were about 60 members in that society, and the amount subscribed there was about 26,000*l.* In the Borough Building Society the whole of the profits were about 1,600*l.*

5473. What were the shares?—130*l.* in the Borough Building Society. In the Second Swan Building Society they were 150*l.*

5474. What were the profits in the Second Swan society?—They were, I think, about 2,000*l.* The next is the Third Swan society. The members in that society averaged about 50, and we received in subscriptions 23,000*l.* The shares were 150*l.* The profit there was about 2,700*l.* In the Fourth Swan Building Society, which is still in existence, the shares are 150*l.* shares; according to the last report there are about 70 members, and an amount of upwards of 40,000*l.* has already been received from subscribing members, and advanced to borrowing members.

5475. I see in a cash account there is a list of the number of mortgages on which money has been advanced?—Yes.

5476. Are those mortgages stated in the order of their advance?—No, that is the number in my contribution book, and I put that number so that any person who has borrowed money can see from this report, if he looks at, say, Number 30 in the general account, whether I have stated his account correctly or not, and whether I have given him credit for the contributions which he has paid, and whether I have debited him with what has been advanced to him on mortgage; he is therefore enabled to see at any time, by referring to that report, what he owes to the society.

5477. There are 40 different mortgages here?—Yes.

5478. Will you state how many of those advances

were made in the first year of the society, and how many in the second year, and so on?—The advances were made just as we received the subscriptions; we never sold any money until we got it in hand. The moment that we got 150*l.* we offered it for sale. According to the rules it has to be sold by ticket at three successive biddings, and the highest bidder, the third time round, takes the 150*l.*; and he can take as many shares as he has in the society.

5479. What premium has usually been given for an advance?—In the first year in the Fourth Swan Society the average was about 18*l.* per 150*l.* share, but as it goes on, it is less. Sometimes as we go on we are compelled to ballot. People do not want the money.

5480. Have you found any difficulty in making advances towards the end of your society?—Yes, we have been compelled to resort to balloting the shares, but according to rule, the member who is ballotted on to take the money has the option of refusing it by paying a fine of 5*s.* per share, and it does not fall upon him again until it has gone the round of the members.

5481. After the ballot, when the advance has been allotted, is the balance in the hands of the society carried down to the next year?—No; after a person has had a share ballotted on him, he finds security by way of mortgage, and the money is paid to him, and he then has to pay interest.

5482. But I suppose that there still remains a balance beyond the money advanced?—No. Supposing that this was the meeting night, and we had one share (150*l.*) to sell, and we offered it by ticket, and there were no purchasers, we should then proceed to ballot, and the person on whom the lot fell would have to take the money and find security, by way of mortgage. He has the option of refusing, by paying 5*s.* to the society, which goes into the general funds of the society, and the ballot goes on to the next number, and so on, until some one is compelled to take the money.

5483. Looking at the amounts of these advances, I see that they vary from one of 3,562*l.* 10*s.* 0*d.* to as small a sum as 150*l.*?—Yes. 150*l.* is one share.

5484. To whom was that advance of 3,562*l.* 10*s.* 0*d.* made? in what kind of position was the man who received it?—It was received by two brothers, who were grocers. They were two very striving gentlemen. They were working men 20 years since, and they have made almost a little fortune by joining building societies. I think that they are now paying into societies for which I am secretary something like 40*l.* a month, in contributions and interest.

5485. Did they use that advance in building several houses?—Yes, and purchasing shops.

5486. In fact they speculated with it in building?—Yes.

5487. They had 23½ shares?—Yes.

5488. And they paid 179*l.* 17*s.* 4*d.* as premium?—Yes, which is credited to the members at the end of the year. We do not divide the profits until the end of the society. The moment that the contribution is paid in and the profits amount to 150*l.* per share, there is an end to the society.

5489. I see that there are eight other advances over the sum of 1,000*l.* each?—Yes.

5490. Were those advances made to persons speculating in building in the same manner, or were they made in any case for a separate house?—In some

cases, when a person has got into what I may call a tolerably good position, he may enter for half a dozen shares in a building society, and then he will build himself a very nice house, and spend something like 1,000*l*.

5491. What would be the ordinary sum which a working man in Ashton would require as an advance to enable him to build a house?—If he spent 100*l*. on a house, we should always be disposed to lend him 90*l*. on it.

5492. What would be the ordinary sum which he would require as an advance in order to build a house? What would be the average cost of a working man's house?—About 100*l*.

5493. And you would advance 90*l*. of that amount?—Yes. A person's position is a great consideration with our directors. In a place like Ashton we know almost everybody and his position. Of course there are a great many persons who do not purchase or build until they have been members some four or five years, and that leaves them about 30*l*. or 40*l*. in hand, and they may buy two houses which may cost 150*l*., and we would advance them the whole amount.

5494. I see that there is only one case out of the whole of these advances, in which the advance is as low as 150*l*?—I do not just now remember the names, but we have some widows who have small mortgages on their property; they are persuaded to join these societies to save them from being suddenly called upon to pay the mortgage, which almost ruins them, having to pay for the transfer of the deeds and other legal expenses. We have an arrangement with our solicitor that no mortgage is to exceed the cost of 2*l*. 12*s*. 6*d*. (unless there is something extraordinary about it), that is, supposing it is a simple mortgage from the party borrowing to the society.

5495. What is the class of society to which your advanced members belong?—They are generally what we may call the working classes. There are a few shopkeepers.

5496. What kind of wages would those whom you call the working classes generally be earning?—From 30*s*. to 40*s*. a week.

5497. Then looking at the advances which they have received, I conclude that they are persons who would require a better class of house than that which would be built for 100*l*?—Yes. Perhaps a house at 5*s*. a week, with three bottom rooms and three top ones.

5498. What do the mill hands of Ashton ordinarily earn?—From 17*s*. a week up to 40*s*.

5499. Of those who earn 17*s*. a week, or say 1*l*. a week, would many, or any, be members of your society?—They are members, but not builders; they are simply investors, and the difficulty with them is to know what to do with the money at the end of the society. We have some joiners and stonemasons who join our society, and when they have sufficient in hand to build them a workshop they commence business on their own account, and so establish themselves in business. We have numbers of cases of that sort.

5500. Then I may take it that, as far as regards the ordinary class of working men, the use of these societies to them is by way of investment rather than by way of building?—Generally.

5501. In what description of labour would those persons earning from 30*s*. to 40*s*. a week be engaged?—They would be mechanics, for instance, and overlookers of different departments of the mill. Those are the people who are generally connected with such societies.

5502. May I take it that the transactions of the society, of which I hold the report in my hand, are a fair sample of the transactions of the other terminating societies which you have named?—Yes. I may just state that, during the whole of my experience in those terminating societies, we have not lost a sixpence through any advances, carelessness, or anything of that sort.

5503. You, I think, have also been secretary to the

"Friendship" Benefit Building Society?—I have. *Mr. S. Andrew.* That was only in existence three years.

5504. What was the number of members, and what was the capital of the society?—There were only 29 members, and the capital was about 1,500*l*. paid up. In consequence of there being so few subscribers, and no demand for the money, we agreed to break it up, and arranged for those parties who had already mortgaged their property to the society, to join other societies, and that we would pay a proportion of the costs in transferring them from one society to the other.

5505. There were not sufficient subscribers to require advances?—There was no demand for the money. At the end of three years we found that no one wanted to borrow; there were only about 20 members left, and none of them wanted their money, and it was mutually agreed that they should break up the society, and make arrangements with those parties who had had money to join other societies, and that they would pay their expenses in joining them.

5506. What was the particular reason of the small number of members in that society? I do not quite understand why that society did not succeed as well as the others?—It was in rather an isolated part of the town. Half a dozen gentlemen used to frequent a house called the "Friendship" inn, and it was suggested that they should commence a society. I was at that time secretary to four societies, and they asked me whether I would take the management of it. I said that if they would guarantee something like 20 members I would assist them in establishing it. We got that number, and anticipated that we should get more, but it dragged along in a manner unsatisfactory to everybody concerned, and it was almost a waste of time every night that we met, so that they all got tired of it.

5507. Are those societies generally formed by persons who are acquainted with one another, meeting at an inn in that way?—Yes; I may say that all the societies with which I have been connected, and of which I have been secretary, have been held at inns. A solicitor generally gets together a few parties who have had experience in societies, and the first meeting is held at an inn.

5508. Are the meetings always held at inns?—Yes, the meetings of all the societies with which I am connected.

5509. Do they meet once a month?—Yes.

5510. It is therefore considerably to the benefit of the landlord of an inn that there should be a society?—Yes, especially the last societies which I have had. The Ashton-under-Lyne Permanent Building Society is held at the "Bowling Green" inn, and we pay something like 6*l*. every month for refreshments. Every member who pays a contribution, pays 3*d*. extra for what we call the use of the room, and he has a check for the value of 3*d*. given to him in return, which he uses in refreshments.

5511. That is an extra payment?—Yes.

5512. And he is aware of the fact?—Yes. We tried to do away with that in the Fourth Swan Society, the report of which you hold in your hand. The chairman was a total abstainer, and he got his friends, who were also teetotallers, to come, and they one night passed a resolution that we should do away with the 3*d*. extra, and should in lieu of that pay 1*d*. a-piece for the use of the room. The consequence was, that at the first meeting which was held at which the members paid 1*d*. instead of 3*d*. one member would perhaps bring the contributions of six members, and when a sale took place there was scarcely anyone in the room to bid, and the result of it was that the purchase-money that night dropped from 14*l*. down to about half that sum.

5513. And was the rule rescinded in consequence?—Yes, and they adopted the old plan.

5514. Does the 3*d*. cover all that the members spend in refreshments at their meetings?—I do not see that they spend much more, because they generally are a saving class of people who belong to the societies,



Mr. S. Andrews,  
5 May 1871.

and they just spend their 3*d.* and then go away—at least the major part of them go; there are a few who stop.

5515. To what societies were the members of the "Friendship" society transferred?—Some of them joined the Fourth Swan Building Society, and the others had private mortgages, and the remaining members joined in the expense of obtaining a private mortgage.

5516. Which principle with regard to building societies do you consider most popular in Ashton, the terminating or the permanent?—The permanent, by all means; we have dropped the terminating societies altogether; the Fourth Swan society is the last one which there is in existence.

5517. What reasons have induced them to prefer the permanent system?—Because they can join at any time without paying up back contributions. The permanent society at the "Bowling Green" inn which I have named has nearly 500 members. Here is the report of that society, dated March 1871.

5518. You are, I think, secretary to two permanent building societies, namely, the Ashton-under-Lyne Permanent Benefit Building Society, and the Pitt and Nelson Permanent Benefit Building Society?—Yes; and I am also secretary to two more which have been established recently, one is the Dukinfield Crown Building Society, which is held in Dukinfield, on the Cheshire side of the river, and the other is the Stalybridge Commercial Building Society.

5519. Can you give us some particulars as to the number of members, and the funds of the two societies which I have named?—During 11 years, we have received in the Ashton-under-Lyne Permanent Building Society 55,000*l.*

5520. What is the amount of its shares?—120*l.* We have now 481 members in the society, up to the date of the present report. Out of that 55,000*l.* we have advanced 38,000*l.*, and the balance has been paid in withdrawals and working expenses. The only expenses which come from the funds of that society are the secretary's salary, and the printing, stationery, &c. The secretary's salary for the last year was 66*l.* 17*s.* 2*d.*, and the expense of printing, stationery, and advertising, &c. was 26*l.* 3*s.* 11*d.*; that makes 92*l.* for the year.

5521. I see that no money is received by way of loans in the shape of paid-up shares?—No, we dislike that very much indeed.

5522. What you have stated on this head with regard to the terminating societies applies also to the permanent societies?—Yes, we can always have as much money from the bank as we require. We make arrangements with the bankers. We deposit all the securities with the bank, so that supposing that a member who has 20 shares wants to borrow money, and that we have not sufficient to lend him, we can get it from the bank.

5523. What is the item of 676*l.* for "purchase money"?—That is what has been realised by sales of the money. Every time that we have one share in hand, we sell it to the highest bidder. We give the members tickets, and the one who is the highest bidder at the last of three times takes whatever shares he requires.

5524. It is in fact the same as a premium?—Yes.

5525. In the amount of the cash advanced on mortgages, I see that the advances in this society have been, as a rule, of a smaller amount than in the other societies?—Yes, the shares are 120*l.*

5526. There are a good many advances of 120*l.*?—Yes.

5527. And a good many of 300*l.* and of 240*l.*?—Yes.

5528. There is one of 2,520*l.*?—Yes.

5529. To what class of person was that advance made—that is No. 93?—He is a surveyor.

5530. He holds 21 shares?—Yes.

5531. And he paid, I see, 225*l.* as premium?—Yes.

5532. What is the average premium in this society?—It has been about 15*l.* up to the present time.

5533. Was that advance used for the purpose of a

building speculation?—He has built three villa residences with the money, and he has bought a great amount of property in Ashton.

5534. I see that there is another advance of 2,160*l.*—that is No. 183?—Yes.

5535. Was that advance made to a person in the same position?—It was something similar—he is a publican in Ashton; he is also one of our town councillors; that advance was to pay off a private mortgage which he had on his property.

5536. On his public-house?—No, on a good class of houses which he built about 20 years ago. The mortgage had been on ever since, and he got tired of it, and he was persuaded to join this society; he has a nice little income, he is paying off every month, and in five or six years it will be clear.

5537. He, I suppose, is not the publican at whose house the meetings are held?—No, but the publican at whose house the meetings are held is also one of the town councillors of Ashton.

5538. What is the rate of interest which is paid on these advances?—Five per cent.

5539. Does that apply to both your societies?—To all that I am connected with.

5540. And what is the rate which is paid to the investing members?—It is all divided equally amongst the investing members and the borrowing members. The profits are divided according to the amount which is gained. You will perceive in this report that there has been a profit of 1*s.* 2½*d.* in the pound for the year ending March 1871. If a person has 10*l.* he has 10 times 1*s.* 2½*d.*, if he has 100*l.* in, he has the same proportion, so that there is no distinction between investors and borrowers.

5541. Do not the investors receive a bonus which the borrowers of course would not receive?—No. A borrower gets his share just the same as an investor would do. It is quite a mutual society.

5542. 1*s.* 2½*d.* in the pound is more than five per cent., is it not?—It is. The average for the last 11 years in this society has been 8½ per cent. There is one gentleman who has 10 shares in it. I will just refer to that case—it is No. 37. He is the clerk to the guardians in Ashton-under-Lyne; he is an investor; he has been in the society about 10 years, he has paid in 600*l.*, and his profits are 286*l.* up to the present time, so that his 600*l.* is worth 886*l.* He pays 60*l.* a year.

5543. What is your rule in these societies with reference to withdrawals?—During the first year we pay back to the withdrawing members the net amount of contributions which they have paid in, after deducting the entrance fee of 2*s.* 6*d.*; and after that period, at any time before the termination of the shares, we give them five per cent.

5544. I am speaking of the permanent societies?—Yes, it is the same. We give them five per cent. on withdrawal.

5545. What is the rate of fines for the non-payment of contributions in these societies?—For the first omission in the case of an unpurchased member the fine is 3*d.* a share, for the second month 3*d.*, for the third month 6*d.*, for the fourth month 6*d.*, and for every succeeding month 2*s.* per share; that is the amount of fine for an investing member. For a borrowing member it is just double that.

5546. Have you calculated how much per cent. that would be?—No. Of course if a member keeps up his payments he has no fines to pay. For every 10*s.* an investing member is fined 3*d.* for non-payment, and a borrowing member 6*d.*

5547. Has it been necessary to inflict those fines?—Yes. A month never passes without some one being fined. If you look at the report you will see that the total amount of fines since the commencement of the society is 421*l.*

5548. That is the Ashton-under-Lyne Permanent Building Society?—Yes.

5549. But the fines in the Pitt and Nelson Society are very much smaller?—Yes. That society has only

been in existence for two years, and the other has been in existence for 12 years.

5550. I do not think that you stated the number of members and the capital in the Pitt and Nelson Society?—13,000*l.* is the capital, and the number of members is about 280.

5551. They hold, I believe, about 788 shares?—Yes; that was at the time when that report was made out.

5552. The shares of that society are 150*l.*?—Yes.

5553. May these two societies be taken as a fair type of the permanent societies in Ashton?—Yes. There is only one more in existence in Ashton, which issued its first report in March.

5554. Are you also connected with that society?—I am there simply a shareholder, but it is quite in proportion to the others for which I am secretary. It is held at some rooms, and not at a public-house, and a great many half shares and quarter shares are taken up by persons in it. The members do not pay anything for the use of the room, but the rent is taken out of the funds. In the societies for which I am concerned we do not pay any rent of room at all, but we have the use of the house for, I suppose, the profit on the cheque which we give to the members, the 3*d.* which they pay.

5555. What is the amount of the shares in that last society?—100*l.*

5556. When a quarter share is taken up, is it taken up as a paid-up share?—A man pays his 2*s.* 6*d.*, and he pays until it is worth 25*l.*

5557. There is no system of loan or deposit in connexion with that society either?—No; there are no building societies at all in Ashton which borrow.

5558. What was the object, in that last society which you have named, of dividing the shares into halves and quarters?—Persons can do the same in our societies, they can take quarter shares if they like. The contributions are less, and the shares are less, and that enables a poorer class of people to join the society. The person who is secretary to that society was a clerk in our office, and he has got some experience from our office, and he and his friends started a building society at this room on the temperance principle.

5559. Is it the result that the poorer classes have joined that society?—I should think so, very poor people join it.

5560. Do they join as investors, or would they join for the purpose of obtaining advances?—Never for advances.

5561. May they be taken to be persons in the receipt of 17*s.* a week?—Yes, or less than that, I daresay. One of the directors of that society is also a director of the Ashton-under-Lyne Permanent society, held at the "Bowling Green" inn.

5562. What was the object in forming the other society?—A little opposition.

5563. Does it offer any advantages, beyond the division of shares, which the other societies do not offer?—No, I do not see that there is any advantage in it over ours. The fines there are greater, and the directors' fees are greater. As regards our directors' fees, every member who borrows one share, namely 150*l.*, has to pay 4*s.* to the directors as their fees for examining his security, and handing over the money to him; in the society which I have mentioned the amount is 3*s.*, so that the borrowing members have to pay 3*s.* for 100*l.*, and our borrowing members pay 4*s.* for 150*l.*

5564. What are the fines in that society?—The fines are more than ours, for the first month the fine is 6*d.* a share, for the second month it is 6*d.*, for the third month it is 1*s.*, for the fourth month it is 1*s.*, for the fifth and sixth months it is 2*s.*, and for every succeeding month 3*s.* a share. Then the entrance fee in that society is 2*s.* a month for 100*l.*, and for 150*l.* it is 2*s.* 6*d.* in ours.

5565. The payments, I suppose, are 10*s.* a month?—Yes.

5566. You wish, I think, to make some statement as to the advisability of the appointment of a board of

directors to have the control of the funds of the society?—Yes, I wish just to state the manner in which our directors are appointed. Every 6 or 12 months we have a general meeting, and each member has a right to nominate one of the members of the society as a director, and the directors have to retire in one society every six months. We have four directors in one society, two retire every six months, so that that leaves two directors in. In the other society it is every 12 months. So that there is always a change of directors if the members think proper.

5567. Do they think proper, or do the directors generally remain in office?—In consequence of the extraordinary success of the society at the "Bowling Green" inn the appointment has generally fallen back to the old lot of directors, but there have been odd individuals nominated.

5568. Has the secretary anything to do with the funds?—No, he never touches a sixpence. The money is paid over to two stewards every club night, and the moment that it is counted up it is handed over to the treasurer, who takes it to the bank, and brings me the bank book the following morning, so that I do not handle the money at all, either in receiving it, or paying it out.

5569. What is your objection to societies borrowing money?—I think that it gives facilities for people who are disposed to be dishonest to arrange to be so. They might deceive the directors. Being a secretary, I have naturally made inquiries, and I find that in some societies the directors have very heavy fees, considerably more than our directors have. There is one of our directors in Ashton who is a director of a society in Manchester, and he said that the fees there were enormous, and especially the audit fees. He was appointed an auditor, and they audited the books in one day, and the day following they sent the books off to a place called Hollingsworth Lake to sign them there, and they had a picnic, and the cost of auditing those books was 24*l.* I ascertained that, when they borrow the money, the secretary issues a report to the directors that a certain individual wishes to lend so much money to the society, and they have to sign a promissory note charging the funds of the society with that sum. It is all right so long as the money comes in, but it is possible to go to the directors and give them their fees, and they will trust the secretary with the money. He may cook his accounts, and nobody knows where the money has gone until it turns out that there is an embezzlement. Under the system which we have at Ashton it is impossible that that can take place. We can get as much money as we want from the bankers; in fact they would only be too glad to lend us a great deal more than they do.

5570. Under your system, have the members of the society any facilities for auditing their particular accounts, and understanding the accounts of the society?—Yes. In the first place there are four auditors appointed at the annual meeting. At the society which is held at the "Bowling Green," there is Mr. Seymour, the clerk to the guardians, he has 10 shares, and the other auditors are generally cashiers or book-keepers at the mills. The whole evening is occupied in going through the accounts. There is not a farthing received without its going to the bank, and the bank book is almost a cash book in itself. My business is to go through the bank accounts; the auditors go through the accounts, and see that they are correct, and when the report is issued the number of each member's contribution card tallies with the figure on the left-hand side of the report, and he can see whether his account and this statement tally. It often occurs that members think there are errors, and they come to me to rectify them. A member can always tell to a sixpence whether I have given credit for the whole amount. The same is the case with the loans advanced on mortgage, a member knows how much he has had out, and it is there stated. All the numbers refer to the numbers in the contribution book.

5571. Is the secretary in each of these societies

*Mr. S. Andrew.*

5 May 1871.



*Mr. S. Andrew.* paid by commission, or by a regular salary?—He is paid so much per share.

5 May 1871.

5572. That accounts for the item charged for the secretary in the "Bowling Green" society being considerably larger than in the other?—Yes; in the "Bowling Green" society there are over 500 members, and there are only 300 members in the other society.

5573. Are there any land societies in Ashton?—No.

5574. Have any of these societies of which you have spoken had any connexion at all with the purchase of land?—No. We have made advances on land. About six months ago we advanced 600*l.* or 700*l.* to a young lady who had had some freehold land left her; she wanted to go into business, and she mortgaged the land to the society; it is farm land.

5575. You have not advanced money to any society holding land?—No.

5576. (*Mr. Roundell.*) With reference to one of the societies, in which you said that the shares were quarter shares, and the members were of the poorer class and were all investors, did you state the number of such members?—I believe that there are between 30 and 40 holding less than one share.

5577. Is there only one society of the kind in Ashton comprising the poorer class of persons?—The members in the society which I have named are what I may call the poorest; that is the society which is held at Buckley Chambers.

5578. You say that their object is solely for purposes of investment?—Yes, saving money.

5579. And I suppose that it is found to be a great practical convenience to that class of people?—Yes, and not only that, but it is the means of enabling them to meet a class of people that they otherwise would not do. The secretary of the society is also the registration agent for Ashton, and as politics run very high in that town, the members comprise that particular class which he represents. It is just on that account they are known, through the elections, and that sort of thing, and the major part of them are friends of the registration agent, and parties with whom he is connected during the whole of the year.

5580. Do you mean that it is in any way mixed up with politics?—I do not think that politics are introduced there, but I should think that nine-tenths of the members of that society are of one class. The offices are some buildings belonging to Mr. Buckley, the member for Stalybridge; they are called the Buckley Chambers.

5581. I suppose that there are no honorary members or patrons of that society?—No, they have the trustees, those are the parties to whom they convey all the property for the purpose of mortgaging it.

5582. Have persons any facilities for withdrawing their money?—Yes; by giving one month's notice at any time, they can withdraw the whole amount of contributions paid in, and get five per cent. interest in addition.

5583. So that practically it operates as a bank?—Yes, it is much better than the savings bank; that is the argument which we use.

5584. Should you say that they are becoming popular institutions?—They are. When I was first connected with these societies there were only two in the town of Ashton, namely, the Second Swan Society and the Ashton-under-Lyne Borough Building Club. There are now six. I am secretary to five, and receiving something like 2,000*l.* a month, and I do not suppose that I received 300*l.* 15 years since.

5585. The 2,000*l.* a month does not all come from the poorer persons?—It comes from all the members. I have stated before that they comprise surveyors and innkeepers, and other large borrowers.

5586. Having reference to the poorer class of members, can you at all state what would be an average amount of investment on their part?—I can scarcely tell that; a great many people join, and they are compelled through some unforeseen circumstances to withdraw. On the other hand, there are numbers who get hold of houses which they never anticipated

doing when they joined. There is one man who works for the firm for which I am concerned; he never got 1*l.* a week in his life, and he has brought up a family of small children, and at the last meeting night which we had at the "Bowling Green" inn he bought two houses, and he was quite surprised that he had been able to save so much money, and so was his wife; he would never have been the owner of those houses except for that building society.

5587. Speaking of the poorer class of members, can you state what is the usual application made of their investments; is it for houses?—A great many get a small plot, but on the whole, I cannot say what they do with the money afterwards. We had a most unfortunate affair some few years ago in Manchester, called Jonah Andrew's Bank. There were enormous profits shown there, and lots of members withdrew from our society to invest their savings there, and they lost every sixpence—people who had been for 10 or 12 years saving their money.

5588. As a rule do they leave their money in your society?—No, they generally take it out at the termination of their shares.

5589. But you cannot state what use they generally make of it?—I cannot. We have not finished our shares yet. In the society at the "Bowling Green" the original share will be terminated in about 12 months, and the members holding them paid off. That is about the first permanent society that I have been connected with. I should think that at least 75 per cent. of the parties who run out their shares generally end with a house.

5590. (*Mr. Bonham-Carter.*) With regard to the withdrawals, you say that the members are paid five per cent. They are paid five per cent. upon what?—Upon half the amount which they have paid in. Supposing that you have been in for six years, and that you have paid 6*l.* a year, that is 36*l.* You have six years at five per cent. upon 18*l.*, because you have not had 36*l.* for six years. You had only 6*l.* in the first year, so that we take five per cent. on half the amount subscribed, or 2½ per cent. on the whole amount subscribed.

5591. Do the men generally buy houses anywhere in the town, or is there any process by which houses are built with a view to being purchased by members of building societies?—There is no such process in any society with which I am connected. A person takes a plot of land. (We have a great many small freeholders in Ashton, in addition to Lord Stamford.) He lays out the grounds and consults a builder, and he purchases the shares out of the society, and superintends the building himself.

5592. Then a large proportion of the houses are built from the ground for your members?—Yes.

5593. Am I to understand you that the 100*l.*, which provides what is considered a sufficient house for a working man in Ashton, includes the price of the land?—No, they create chief rents in Ashton, they do not buy the land out and out; it is so much a yard per annum.

5594. You mentioned 100*l.* as being sufficient to provide a workman's house?—Yes.

5595. What class of house would that be, so far as regards room?—He would have two rooms above, and two rooms below, and a small backyard to the house.

5596. A class of house below that would be one with which a workman would not be satisfied?—Certainly.

5597. Is there a lower class of house in Ashton than the workman's house which you have mentioned, which provides four rooms?—There are what we call single houses, which perhaps can be built for 50*l.* each. We have numbers of those in the town, and they are built by members of building societies.

5598. What do they consist of?—Just one room above, and one below.

5599. Are families brought up in those houses?—Yes. I may say that I am also an estate agent in Ashton, and a collector of rents. We have something

like 1,500 tenants, so that I have a great deal of experience in those things.

5600. What is the rent which would be paid in those cases?—From 1s. 6d. a week upwards; the owner of course pays the rates and taxes, and all other charges.

5601. Then for 50l. a substantial house of two rooms can be built in Ashton, which would be let subject to the payment of rates and taxes by the landlord, at something under 4l. a year?—3l. 18s. We have lots of houses at that price, but there is generally a block of them together.

5602. Are there a large number of those houses in Ashton?—I should think that we have 100 in our hands. I daresay that there are 200 or 300 of them.

5603. Is any large proportion of these houses built by members of the societies?—Yes, I should think that 50 per cent. of the houses which have been built in Ashton have been built from building societies.

5604. Does that equally apply to these single houses?—No. For the last 15 or 20 years no such houses have been built; in fact the town council will not allow them now, on sanitary grounds.

5605. Do the people themselves now require a better class of house than they did 20 years ago?—Yes; they are getting, I may say, more civilized. We have a great many Irish in Ashton, and they generally flock to those single houses in consequence of the low rents.

5606. At the time when the building of these single houses was prevalent, were they an improvement on the class of houses which had existed before?—No, I think that they were built as a speculation by the builder, and people, as I said before, were fond of low rents, and they rushed into them, being new houses. They are of course the lowest class of houses which we have now in the town. The blocks of houses are built in squares and open spaces, and there is a block of privies at one end of the yard, and another block at the other end.

5607. You stated that the town council prevented those houses being built; is there any byelaw which regulates the houses, so far as to prevent that class of house being now built?—There is. The town has only been incorporated something like 17 or 18 years. I cannot tell to a year.

5608. (*Chairman.*) What is the regulation?—As to the width of the streets, and sanitary arrangements.

5609. Is there anything as to the number of rooms?—No, there is no restriction as to that.

5610. (*Mr. Roundell.*) Do you consider that the single houses would be an improvement over the houses previously occupied?—Yes. Although there are only two rooms, one below and one above, there is the same area in them as there would be if they built double houses, but they have no back kitchens and conveniences to them, the inmates are obliged to have their slop stones and those sort of things in the same room.

5611. Therefore they would be in a better position than they were previously?—Yes.

5612. That is to say, it would lead to greater attention to decency, and so on?—Yes.

5613. (*Mr. Bonham-Carter.*) Does there exist at the present time in Ashton any lower grade of house than those single houses?—Yes, there is one lot, but parties are leaving them; we have a dozen houses, only two of which are occupied, and the rest are in a state of dilapidation, people will not occupy them; in fact it is property which is only held by one life, and it is not a week since I went to Lord Stamford's steward to ask him to take them for the remainder of the life and pull them down.

5614. Looking to the character of the town, the building societies have exercised a very considerable effect upon the actual building of the whole town?—Yes, they have had a great effect.

5615. Can you state at all what proportion of the houses have been built in connexion with societies?

—Taking the parish of Ashton, with the exception of large millowners, such as Mr. Hugh Mason, who is building 60 houses this summer, I should say that more property has been built through the medium of building societies than in any other manner.

5616. More than 50 per cent. of the houses in Ashton are more or less connected with building societies?

—Yes, with the exception of what I have already named. There is another cotton spinner who has done the same as Mr. Mason. They build large blocks of houses adjacent to the mills for the hands, which has a very serious effect upon other proprietors.

5617. (*Chairman.*) Are those houses of a good description?—Yes, they are very good houses; and where we get 3s. a week they will be able to get 4s., in consequence of employing the hands and stopping the rates out of the wages.

5618. (*Mr. Bonham-Carter.*) Is the house for which they get 4s. better than the one for which you get 3s.?—Not sixpence better.

5619. Then why do they get 4s.?—Because the occupants get work under the proprietors of the houses, who are their masters.

5620. That is to say, that the master gets 4s. for his house because he employs the man?—Yes, we have made offers to cotton spinners to allow them something like 15 per cent. We could afford to let them have it, and get our commission out of it as well.

5621. Is it obligatory upon these men to take their master's houses?—In my experience as a rent collector for 20 years, people have come to our office dozens of times, and have said that they have been to so-and-so's mill, and that the overlooker has taken them to the house, and said that if they did not take the house they must not go to the looms, or the jenny, or whatever it is.

5622. But your societies are freeing working men very much from this control?—Yes, they are getting more independent now than they used to be. Hands are more in demand since the cotton trade has revived.

5623. Has that practice of the men having to pay a higher rent in the case of a mill, led to a greater readiness to belong to building societies?—It has very much affected the property of private owners, and has caused their property to be empty.

5624. I see that a large amount of the savings of the working classes, as you tell us, is invested in Ashton in building societies?—Yes.

5625. Does that take so much of their savings that they are not able to subscribe to friendly societies besides?—It does not.

5626. Are there a large number of friendly societies in Ashton?—Yes, a great many.

5627. Odd Fellows and Foresters?—Odd Fellows and Foresters, and Shepherds, and Gardeners, and Druids. I can scarcely tell what number there is; there are a great number of them.

5628. Do a large proportion of the working classes belong to one such society or another?—Yes.

5629. Are any of the funds of these societies made applicable to the building societies?—Yes, in some cases.

5630. In what way?—There is, I believe, an Odd Fellows' lodge held at the "Bowling Green" inn, and they have a number of shares in our society, which just absorbs what they can spare after paying their demands.

5631. Then they are only investors?—They are only investors. Prior to that they had the money in the savings bank, which only brought them about three or three and a half per cent. If at any time an emergency arose, they could withdraw all that money at a month's notice with five per cent., so that it is more advantageous to them to join a building society than to put the money into the savings bank.

5632. Are there many friendly societies holding shares in the societies which you have named?—No, only two or three, I think.

5633. (*Mr. Roundell.*) Do you consider that there

Mr. S. Andrew.

3 May 1871.



*Mr. S. Andrew.* is an improvement in the class of houses which is being built in Ashton?—I do, indeed; there is one lot which has been built now by Mr. Mason, as I stated before, which 20 years ago would have been considered almost gentlemen's houses, and I suppose that he will get

something like 4s. or 5s. 6d. a week for them; they are in fact quite model houses.

5634. (*Mr. Bonham-Carter.*) What is the cost of them?—I should think that they will cost him 150*l.* each.

The witness withdrew.

*Mr. W. A. Lee.*

Mr. W. AUSTIN LEE examined.

5635. (*Chairman.*) I believe that you are connected with a building society at Burnley?—Yes.

5636. What is the name of the society?—The Burnley Benefit Building Society.

5637. Is that a permanent or a terminating society?—A permanent society.

5638. Can you give us some idea of the extent of its operations and the number of its members?—The receipts now are about 1,800*l.* a week. The number of members' accounts open will amount to nearly 3,000. The capital of the society will be probably 140,000*l.* or 150,000*l.*; that is, the money paid in by the members.

5639. When was the society established?—In 1851.

5640. I see from this report for the year 1870 that the total receipts, since the commencement of the society, amount to 439,892*l.*, and the total receipts for the last year amount to 83,866*l.*?—Yes.

5641. How much of those receipts are receipts from loans?—60,000*l.*, I should think, but they are not borrowed money; they are realised, on paid-up shares.

5642. I see in the revenue account "subscriptions and deposits received during 1870"?—Yes, that includes subscriptions on shares, which are unrealised and paid-up shares together.

5643. Paid-up shares you call deposits?—Yes.

5644. What is the amount of your share?—10*l.*

5645. Is that the amount of a paid-up share?—Yes.

5646. Have you been in the habit of issuing fractional parts of shares besides full shares?—Yes.

5647. To what amount?—So as to get 1*s.* subscription, or  $\frac{1}{20}$ th part of a share.

5648. In fact, I suppose, that rule No. 2, which is, that "All shares shall be of the value of 10*l.* each, "and fractional parts of a share of the same value "may also be issued if the board of directors think "proper," was framed in order to enable you to receive loans on deposit?—Yes. A person comes, say with 5*l.* 5*s.* 0*d.* In order to get the shillings it is  $\frac{10}{20}$  dis.

5649. At the time when this rule was framed had the society any borrowing powers?—No. We got the borrowing powers at the alteration of our rules.

5650. The alteration of your rules, which gives you power to borrow money, also limits the extent to one-half the amount advanced on mortgage?—Yes. That was put in, in consequence of a decision at a recent trial, in which it was held that where that clause was in, the rule was quite good.

5651. When was that rule certified?—Last November. Since that rule was added we have not taken any fractional parts of a share. We now take full shares.

5652. But you have not altered the second rule?—No. There is still the power, if the directors think fit.

5653. But the directors do not exercise it?—No. If a person bring less than a full share it is then taken as a loan.

5654. Do you take any amount on loan?—It is limited at the present time to 500*l.*

5655. 500*l.* being the maximum, what is the minimum?—1*s.*

5656. What rate of interest is paid upon the loans?—Four per cent.

5657. And what rate do you pay to the investing members, the shareholders proper?—Five per cent.

5658. Is that amount fixed, or does it vary with the profits of the society?—It is fixed until the reserve fund amounts to 2½ per cent. on the capital.

5659 In your last account your reserve fund is stated at 1,538*l.* 15*s.* 2*d.*?—Yes.

5660. When it amounts to that per-centage on the capital what will happen?—A division will then be made of the surplus above 2½ per cent. on the capital.

5661. Will the depositors participate in that division?—Not those who lend the money, but we consider those who have paid-up full shares as shareholders, and they will receive the same amount *pro rata* upon the number of shares which they hold.

5662. But will a depositor receive any proportion of that surplus?—Not for the money lent to the society.

5663. He will still receive his four per cent. and no more?—Yes.

5664. Rule 9 I see is as follows:—"In case of a "person who is not a member wishing to borrow "money, he shall become a member before any money "be advanced to him. In addition to purchasing a "copy of the rules and a pass-book, as mentioned in "Rule 8, he shall sign an agreement to the effect that "he agrees to purchase the number of shares required "to make up the amount he wishes to borrow, and to "repay the same with interest." What was the intention of that rule?—Many men come to borrow who are not already members, and it has always been held that the proper way for a society to act is only to lend to its members. The rule previous to that states what membership shall consist of, and those words were put in to meet that difficulty.

5665. Is there any practical difficulty? does not it amount to the same thing?—It amounts to the same thing.

5666. I do not quite understand the particular defect which that rule was intended to meet, because if a person wishes to borrow, he can become a member at once under your other rules, can he not?—No; he would have to pay one week's subscription.

5667. At the end of a week he could become a member?—Yes.

5668. So that that gives him a week's advantage?—Yes.

5669. What are your rules as to advances?—We have no tables, unless the members wish to have a special one prepared for them. We lend on all cottage property at five per cent. If a person to-day borrowed 1000*l.* we should calculate the interest upon that sum from this date until the 31st of December at five per cent., and should divide it into monthly or quarterly instalments, according as agreed upon with the directors, and the borrower pays that interest to December, and as much of the principal as he thinks fit. Then at the end of the year the balance owing, whatever it may be, is taken as the basis for the next year, and he pays five per cent. upon that, divided into 12 instalments, and so much of the principal as he thinks fit, and so on from year to year, until the mortgage is repaid.

5670. Would the amount of principal repaid in each year be paid in one sum at the end of the year, or as the member chose?—It would be as agreed upon with the directors at the time of the mortgage. It is generally monthly.

5671. Then practically he is paying interest upon principal which he has paid?—Yes, it amounts to a little over five per cent. in that way, according to the amount which he repays. We have many cases of large amounts where they repay quarterly, and interest at the same time upon the balance owing, so that in that case the borrower pays no interest except upon what he really owes.

5672. In small amounts he pays as you have first stated?—Yes.

5673. And therefore that is a disadvantage to that extent?—Yes.

5674. What is the term of years for which you make the advance?—20 years is the basis, but it is very seldom that anyone goes to that length. The average is about seven years.

5675. Is that settled when the member receives the loan?—No, he fixes how much he shall repay each year. If he finds himself not able to repay much, he of course repays as little as possible. If he is in better circumstances he repays more, and it varies from year to year according to circumstances.

5676. Then have you not some difficulty in calculating the exact position of the society?—No.

5677. Does it depend entirely upon the member, how soon or how late, within 20 years, he is to repay the amount advanced?—Yes, he must repay not less than one-twentieth each year.

5678. Supposing that in the second year he wishes to repay the whole, have the directors any power of preventing his doing so?—No, he can give a month's notice and pay it off at any time.

5679. It must be repaid within the 20 years, but it may be repaid within as much less time as he chooses?—Yes.

5680. Do the directors take any bonus when a purchase is made?—No.

5681. Have they ever done so?—Not to my recollection, and I have been secretary for 12 years; none has been received during the time that I have been secretary.

5682. In what amounts are your advances generally made?—They vary, they are from 50*l.* or 60*l.* upwards.

5683. What would be the highest with which you are acquainted?—The highest which we have ever done is 19,000*l.*

5684. To whom was that advance made?—It was to a gentleman who had built a cotton mill; he had a very large income from cottage property, and he had spent more money on the cotton mill than he expected; bad times came, and he could not run the mill.

5685. Was the money advanced on the security of his cottage property, or on the security of his mill?—On both combined.

5686. Then it was a simple loan, and not an advance for the purpose of building?—It was not for the purpose of building,—the building was erected at the time.

5687. Has that advance been repaid?—It is being gradually repaid quarterly.

5688. Was the full term of years taken for the repayment of that sum?—Yes, but it will be probably repaid now in six years from the commencement.

5689. Can you call to mind any other large advance made by the society?—There was one of 16,000*l.*

5690. What were the circumstances of that case?—It was entirely upon a mill, and the fixed machinery, and the freehold land upon which it was built.

5691. Was that advance made for the purpose of building?—No, it was to pay off a former mortgage.

5692. I suppose that the repayments in those two cases were calculated quarterly, as you have stated?—Yes.

5693. With regard to the 107,960*l.* which stands in your account for 1870, as "advanced on mortgage of property," can you give us any idea of the items of which it consists? You have spoken of two advances of 19,000*l.* and 16,000*l.* respectively. Of course this sum is what is still outstanding?—Yes.

5694. How much of that would consist of sums outstanding upon large advances, and how much upon small advances?—I think that you might say one-half are large amounts.

5695. Amounts above 10,000*l.*?—We had only one at that time above 10,000*l.*

5696. What do you call large amounts?—Amounts of 2,000*l.* or 3,000*l.*

5697. Have any advances been made to builders?—Yes, when they have erected cottages.

5698. Is that frequently done?—Not very frequently. Mr. W. A. Lee.  
5 May 1871.

5699. Can you call to mind any particulars of any one or more of those advances?—Yes, I can call one to mind, where a builder has built a great many houses, and he has borrowed and sold them; generally we have a mortgage again from the person who buys them from the builder.

5700. He became a member of your society?—Yes.

5701. With regard to the small advances, at what amount should you put them in each case?—The average is about 250*l.*

5702. What would be the lowest sum?—40*l.* is the lowest amount which we ever lent.

5703. Have many advances been made under 100*l.*?—Not very many.

5704. Have many been made under 200*l.*?—Yes, a good many.

5705. What would be the sum which a working man's cottage in Burnley would cost to build?—About 100*l.*

5706. How much of that amount could be obtained on advance from the society?—80*l.*

5707. Then there are not many cases in which an ordinary working man has obtained an advance?—Yes, they generally purchase two or three houses together, so that they get an advance above 100*l.*

5708. What is the rate of fines for non-payment?—They are on the alterations at the back.

5709. Above a quarter share, which is 2*l.* 10*s.* 0*d.*, and up to three shares, 1*d.* per week for each payment in arrear?—Yes, the money is paid weekly.

5710. Suppose that there are two weeks in arrear?—It is simply 1*d.* per week.

5711. It does not increase beyond that proportion?—No.

5712. What is the weekly payment on a quarter share?—3*d.*

5713. Here the fine for the non-payment of 3*d.* is 1*d.*?—Yes, we could not well fine less than 1*d.*; we have not any  $\frac{1}{2}$ *d.* in our accounts, and 1*d.* is the lowest amount which we could fine.

5714. That relates to unadvanced shareholders?—Yes.

5715. The fine for advanced shareholders is 1*d.* per week for each and every monthly, quarterly, or other subscription in arrear of 2*l.* and under?—Yes.

5716. That again may be a very high rate, may it not?—No, that is a very low rate.

5717. What is the lowest sum which the monthly subscription may amount to?—There are very few less than a sovereign.

5718. I see that you receive but a very small amount from fines in the course of the year?—Very small.

5719. Last year it was only 25*l.* 17*s.* 8*d.* from transfer fees and fines together?—Yes.

5720. Have there been any cases in which this provision in the 44th rule has been carried out?—"A member neglecting to make three of his payments (as before mentioned), or who shall be three months in arrear, shall be considered a defaulter, and the society shall have power to take possession of his property, and realise the amount due to the society"?—Yes.

5721. In how many cases has that rule been carried out?—Perhaps six.

5722. Are there other building societies in Burnley besides yours?—None.

5723. Not of any kind?—No.

5724. Are there any land societies in Burnley?—No.

5725. What is your opinion as to the connexion between building societies and land societies?—I think that they ought to have power to build.

5726. Do you think that building societies should have power to purchase land?—Yes, and to erect cottages.

5727. Allotting a piece of land and a cottage to



Mr. W. A. Lee.  
5 May 1871.

each of their members?—Scarcely that; but allowing each of the members to come and purchase for himself, and not to allot it amongst the members, but to give them freedom of action to purchase.

5728. You would wish to see a building society allowed to purchase land and subdivide it, precisely as a land society does?—Yes.

5729. What benefit do you think would result from that?—There is a letter which I sent to Sir Roundell Palmer which embodies that. The members would have confidence in the property erected by the society as to its being properly built; they would profit by the professional knowledge of the society's solicitors in connexion with the title, and the technical knowledge of the directors, the secretary, and the surveyor in the erection of the houses; they could be built cheaper; a large number of houses being built together would be taken by a good contractor, and be built better than one or two. When one or two houses are built, the lower kind of contractors build them, and they are not built so well. The solicitor's charges would be less by making a number of deeds at the same time than in separate cases. The cost would be less from the contractors taking a lot together. The sanitary condition of houses could be better looked to than in building small quantities. I think that those particulars embody what I have to state upon this subject.

(The witness delivered in the following letter):

" Copy of letter to Sir Roundell Palmer, M.P.

" Burnley Building Society's Office,

" 2, Hargreaves St., Burnley,

" Sir, June 3rd, 1870.

" THE directors of the Burnley Benefit Building Society wish to bring under your notice a clause, which they think it of the utmost importance should be inserted in the Building Societies' Act, which you along with three other honourable members have introduced into the House of Commons. The clause which they would wish inserted is as follows:—That the trustees of a benefit building society registered under this Act shall have power, on the resolution of a majority of members present at a general meeting of the society called specially for that purpose, to purchase or take on lease land on which to erect dwelling-houses, and to build such dwelling-houses, or to purchase dwelling-houses already built for the purpose of the said land or dwelling-houses being divided or allotted amongst the members.

" Such a clause is of paramount importance, not only to the successful working of a large society, but to the interests and well-being of each individual member. It leads, also, to the most beneficial results in the laying out of streets in our towns in a uniform manner, and in aiding the sanitary arrangements.

" The object of a building society is two-fold:—

" *Firstly*, to establish a means of investment at once secure and popular, where the working and middle classes may deposit their savings; and *Secondly*, to encourage each householder of the working and middle classes to become the possessor of the house in which he may live.

" It is towards the attainment of this second object that the directors of the Burnley Benefit Building Society desire the insertion of the clause above mentioned in the Building Societies' Bill.

" The managers of building societies all find that the working classes, as a body, are desirous to live in their own houses, but they have great obstacles to overcome, which stop the majority from attaining their wishes. The first obstacle is the ignorance of a working man of how to go about the purchase of land for a house, and still more is he ignorant of the title and dealing with an architect for the drawing of his plans, &c. This obstacle alone prevents vast numbers from attempting to become possessed of a house. But if the society of which these men are members had power to take a plot of land and build the houses for them, they would place implicit confidence in the

property thus erected. They would thus profit by the professional knowledge of the society's solicitors in connexion with the title, and the technical knowledge of the directors, secretary, and surveyor in the erection of the houses. This alone is a most powerful argument in favour of a society having powers to take land and erect houses for its members.

" But there is another and more powerful argument in favour of such power, which is the great expense that would be saved to the members of building societies. In the first place, it is self-evident that a large plot of land or a large number of houses could be purchased at a considerably less price than a small plot or a few houses, with other important advantages as to severage, &c., accruing with the purchase of a large plot. In the second place, solicitors' charges would be less for dealing with a large number of similar conveyances and mortgages, and all at the same time, than if each individual member waited upon the solicitor with separate instructions, and probably different titles. In the third place, it is clearly seen that a contractor will build 50 houses at a less price per house than he would build one, and the houses would be more substantially built. Therefore, as to the score of expense, it may be confidently stated that 20 per cent. would be saved to the working classes by societies having this power given them, and an impetus would be given to the second object of a building society (as mentioned in the early part of this letter), which is so earnestly to be desired.

" It may be argued, in opposition to this power, that it may lead to societies becoming speculative land societies, and embarking in schemes with the idea of making profit only, and not for the encouragement of the working classes in the laudable object of becoming their own landlords; but this difficulty may be met by restricting the amount of land that a society may take to some limit in proportion to the number of its members, which would effectually prevent speculation to any great extent.

" Hoping that the arguments used in favour of inserting the clause recommended by my directors may lead to that result,

" I have, &c.,

" W. AUSTIN LEE,

" To Sir Roundell Palmer, M.P., Secretary.

" 6, Portland Place, London, W."

5730. Does any objection to such a power occur to you?—Yes. The objection is that that business might become of a speculative character.

5731. Have any instances come to your knowledge where it has become of a speculative character, and has led to the ruin of the society?—Only from reading the newspaper accounts; but I do not know of any particular case.

5732. How would you meet that objection?—By putting a limit in proportion to the capital, and not allowing the society to build houses of above a certain value.

5733. Would that entirely prevent speculation?—I think that the two things combined would. I would only allow them to take a certain quantity of land.

5734. Although that limit might be imposed, land might be purchased by the society at a value very much exceeding its real worth, and the society might be a very great loser by it, although of course not to the same extent as if the power of purchase was quite unlimited?—There is that difficulty, but I think that it would very seldom occur, unless the directors had some intention of fraud, or something of that kind.

5735. Have you never heard of any instances in which directors, in concert probably with a surveyor, have fraudulently purchased land?—Yes, I have read of cases of that kind.

5736. How would you overcome that difficulty?—I cannot say, except by having some mode of punishing the directors. The difficulty would be in proving the thing.

5737. It would not be of much service to the society

to punish the directors after they had ruined it?—No, but it would have a deterrent influence upon the directors from doing it.

5738. They would now, I suppose, be liable to punishment for fraud?—That I cannot say.

5739. Do you not consider that your society, without possessing any such powers, and of course without exercising any such powers, has been of considerable advantage to the working classes of Burnley?—Yes.

5740. Do you think that it is in any way necessary to the usefulness of a building society that it should possess those powers? Do you not think that it can be very useful without them?—The society can be useful without those powers, but I think that it would be more useful with them.

5741. In spite of the dangers, you think that the advantage is so great that it is worth incurring the danger?—Yes.

5742. In your opinion, is there an absolute necessity for a building society to have power to borrow?—Yes.

5743. Why so?—In order to get funds sufficient for the members themselves to erect their houses. I take it first in that light, and then again to extend the society's usefulness in many ways. For instance, it is a very good thing to be able to invest money at four per cent. The security of the society is perfectly good, and it answers as an investment society, and they take it in that form. Then, again, the money being collected in that way, it has a tendency to increase towns, and for cottages to be built which would not otherwise be built.

5744. As regards investment, do not the societies offer great facilities for investment without any borrowing powers?—Only by the paid-up share system.

5745. Are not shares which are taken in a building society paid by a succession of payments?—Yes, but you find that the greater proportion, I should think three-fourths of the members of the society, would rather pay it in now and then than pay it regularly.

5746. They wish, you think, to be able to pay whenever they happen to have the money?—Yes.

5747. And they are unable to keep it until the fixed time for payment arrives?—Not exactly that; our subscriptions generally come weekly or fortnightly when the wages of the operatives are paid; but others do not like to come with such small sums. They would rather bring a sovereign or 5*l.*, the same as taking it to a savings bank. The majority of those who now come with money can either put it in as realised shares or lend it. As soon as they know that when it is lent they have the first claim upon the society, they say, "I will lend it."

5748. Would it not be naturally easier for a working man to make a small weekly payment from his wages than to deposit the sum of 1*l.* or 5*l.*?—It looks easier, but still in the working of it you find that a majority do not do that.

5749. With regard to the power of advance to members requiring advances, might not that be arrived at in case of need by obtaining a temporary loan through a bank, or through some other body?—Yes, that could be occasionally done, but still, if the bank rate happens to be high, the interest to be paid to a bank is something enormous.

5750. Then can you obtain money from the working classes at a less rate of interest than you can from a bank?—Yes.

5751. Of course that ground is one which is to the advantage of the society, rather than to the advantage of the working men?—No, the working men get an advantage. They get their four per cent. whereas otherwise they would only get 2½ per cent. in the savings bank.

5752. But they would get a higher rate if they were actual members?—Yes, if they were actual members.

5753. Did your society ever try to pursue its operations without borrowing?—Yes.

5754. Was it found impossible to do so?—The

society did not at all increase; it made no increase for four or five years together, but gradually went worse.

5755. Did the number of members diminish?—Yes.

5756. I suppose that that was at its original foundation?—No. When the rules were first certified there was the power of borrowing. Mr. Tidd Pratt allowed it at that time. Eight years ago new rules were sent up to be certified, and he struck out that power upon the opinion of the Attorney General. We had then about 3,000*l.* or 4,000*l.* of loans, and the capital of the society was only about 20,000*l.* We paid out those loans, and we went on for many years, but we found that we must have some system of having money at four per cent., and we took in paid-up shares, and from a capital a little over 20,000*l.*, it has now grown up to a capital of nearly 150,000*l.*

5757. Is that not the real advantage,—to obtain money at a lower rate of interest?—That is another reason, and by means of doing it we can lend money at five per cent. upon cottage property. We could not pay five per cent. to regular subscribers unless we got money in at a less rate than five per cent.

5758. With regard to the preparation of the balance sheets of societies, do any remarks occur to you upon that point?—Yes, they ought to be made as plain as possible, so that the working classes can understand them.

5759. How do you suggest that that should be carried out?—They should always have a profit and loss account clearly stated.

5760. Would you compel the societies to do that by law?—Yes.

5761. How would you compel them to do it?—I believe that the Joint Stock Companies' Act specifies how the report should be framed, and I would put a similar clause in a Building Societies' Act, that they should make a balance sheet after a certain form.

5762. Could any form be taken, which in your opinion would be applicable to all classes of building societies?—Yes.

5763. Are you acquainted with terminating societies, Starr-Bowkett societies, and other societies of that description?—Yes.

5764. And you think that the accounts of every class of building society could be stated under the same form?—Yes.

5765. By what penalty would you enforce its being done?—I would put a penalty upon both the directors and the secretary.

5766. Of what nature?—I have not thought of that particularly.

5767. Who should be the person to summon the directors, or the secretary, if they failed in their duty?—The registrar, I should say.

5768. Then do you contemplate that the accounts of every building society should be sent up to the registrar?—Yes.

5769. And that it should rest with him to proceed against those parties who did not draw up their accounts in accordance with the law?—Yes.

5770. Do you think that it would be possible for him at a central office to carry that out?—Yes.

5771. Is there any other point with regard to the deficiencies of the present Act, or the necessity for further legislation, upon which you wish to remark?—Yes. The Act for Building Societies now quotes two Acts relating to Friendly Societies, namely the Act of the 10th George the Fourth, chapter 56, and the Act of the 4th and 5th William the Fourth, chapter 40, which have been repealed by a recent Act, and yet they are incorporated with the Building Societies' Act. The Act states that the value of the shares shall be 150*l.*, and the subscription not more than 20*s.* per month. For some time it was thought that a person could only hold one share, but in a recent trial it has been decided that a member can hold more than one share, so that that clause is really of no effect whatever. Again, friendly societies have the power of priority of payment in case of the bank-

Mr. W. A. Lee.

5 May 1871.



Mr. W. A. Lee.

5 May 1871.

rupture or death of an officer of a society. This applied to building societies up to the Bankruptcy Act of 1849. I think that they ought still to have that power. Again, upon the question of stamps, it is a most uncertain thing, under the Building Societies' Act. There is a trial now going on, of *The Attorney General v. Gilpin* and others, in the Court of Exchequer, the question being as to whether the cheques on bankers shall be stamped.

5772. Do you consider that the exemption from stamp duties is a matter of great importance?—Yes.

5773. When the exemption was first given, of course stamps were a much more formidable matter than they are now?—Yes.

5774. Do you consider that building societies attach very much importance to the present exemption?—The working classes are not so frightened of getting property as they were. By the present Act the exemption is under 500*l*. I think that that is a very wise thing.

5775. You would not remove that limit?—No.

5776. But you would retain the exemption so far?—Yes.

5777. I do not quite understand the reason for the working classes attaching so much importance to it?—The deeds for one or two cottages are very expensive. The lawyer's work is just the same for 20 as it is for one; the working classes are frightened of the lawyer's expenses, and every little which can be struck off the expense of conveying property is of great service.

5778. But the stamp duty is a very small proportion of the lawyer's expenses?—So it is, but it is one little thing to take off.

5779. Perhaps if the expense of the transfer could be diminished, it would be of less importance?—Yes.

5780. Is there any other point to which you wish to refer?—There is one clause in the Act which says that interest shall not be allowed to be paid until the shares have become realised. I do not see any use in that clause. I cannot see any cause at all for it. Again, the building societies have not even power under their Act to build an office, whereas the friendly societies have that power. Then there is the question of income and property tax. There have been continual disputes with the Commissioners of Inland Revenue, and the societies are continually being bothered about it; that is a question which wants settling.

5781. In what way?—As to whether the society shall pay the tax. In some societies, where a person pays interest, the tax is allowed him upon the interest in the ordinary way as between mortgagee and mortgagor, but some societies do not do that; for instance, in our society we allow to each person who mortgages the tax upon the interest which he pays. We have had letters from the Income Tax Commissioners to return our profits. I wrote to say that we had no profits, except from interest, and still they insist upon it. There is a continuous vexation.

5782. How would you settle that question?—By stating distinctly in the Act whether they shall pay income or property tax, or how it shall be done.

5783. What statement would you wish to see in the Act?—Of course, from being in connexion with the society, I should try to get it off if possible.

5784. Do you think that it would be a fair thing to ask that it should be got off?—In some cases it would, and some cases it would not.

5785. Perhaps you would hardly be disposed to say that it would be well to lay down a general rule in the Act that the tax should be excused?—No, I do not think that it would.

5786. Is there any other particular point to which you wish to refer?—There is the question of minors, and of married women. I do not know whether the recent Act with regard to married women's property will affect the working of the societies, but I think that it will. In a fresh Act I think that that should be particularly mentioned. In the Friendly Societies'

Act it is mentioned that minors may be admitted as members.

5787. Minors may be admitted as unadvanced members?—Yes, there is a general rule to that effect.

5788. May I take it that you agree generally with the bill which was brought in last session by Mr. Gourley?—Yes, the amended bill. The amended bill will include all that I have to say.

5789. (*Mr. Roundell*.) With regard to the large sums of 19,000*l*. and 16,000*l*., which were advanced by your society, are not such advances as those calculated to derange the operations of the society?—No, not in the way in which we make them; we have them repaid quarterly.

5790. They do not in practice derange your ordinary arrangements?—No. If we lent upon simple mortgage, to pay simple interest, they very likely would have that effect, because we should have a very large amount of money thrown upon our hands unproductive, but in the way in which it is done, taking the money back by instalments, it is just the same as with money lent in small sums upon cottage property.

5791. You have said, I think, that there are no land societies in Burnley?—That is so.

5792. I think that it has been stated to the Commissioners, that one objection to a society buying plots of land is that there is, what I may call, a social objection on the part of the working classes, to have houses, so to speak, labelled as belonging to a building society. Have you found that to occur in your experience?—Not much; that objection is gradually dying away; it used to be a very great objection.

5793. You rest your objection, as I understood you to state in answer to the Chairman, upon the speculative tendency which is introduced, where a building society engages in buying plots of land?—Yes.

5794. Should you consider that in such cases there is any danger of colourable transactions, taking place between the directors and the society?—There is that danger, but I think that it is very small.

5795. You have not known any instances of it?—No, only from reading accounts in the papers, but I have not personally known any instance of it.

5796. To what security would you trust for such objectionable transaction being prevented?—There is no way of doing it except by punishment.

5797. By what authority would the purchases of the land be made?—It would be left to the discretion of the directors generally. Occasionally they would ask the opinion of the members at a meeting.

5798. So that if there was a disposition to do anything which was not strictly formal, you might have an interested director authorising such a purchase?—You might; if the members were always to be consulted, it might have some effect in preventing it.

5799. Has the society which you represent ever engaged at all in the purchase of land?—Yes, we have built some number of houses.

5800. Is that still a part of your undertaking?—We are building 15 cottages now.

5801. Does that practice altogether meet with your approval?—Yes.

5802. You do not think that objections apply to it?—No.

5803. I understood you to object generally to any such connexion?—No; I said that it would be a good thing to have that power, and then the Chairman asked me what objection could be raised to it, and I said that I thought that the objection was the speculative nature of it—that it might be speculative.

5804. (*Mr. Bonham-Carter*.) I understand you to say that you have built some houses?—Yes.

5805. In whom was the land vested before you began to build?—We have never taken a deed; we have taken a simple agreement in the names of the trustees, and have made an arrangement with the owners of the land (it is leasehold land), that when we have sold to the amount of 10*l*. ground rent, the owner of the land will give a deed direct to the person purchasing.

5806. Are those houses what you call the property in Palatine Square?—Not the houses which I have alluded to in answer to Mr. Roundell; those houses are included in that agreement.

5807. In your account for 1868 you stated that you had paid for buildings 9,801*l*.?—Yes.

5808. In your account for 1869 you stated that you had paid 1,838*l*. additional, and in 1870 1,946*l*. additional?—Yes.

5809. I also see in your report for 1868 that you received 424*l*. rent from houses?—Yes.

5810. Does that mean that you received 424*l*. upon houses which cost you 9,801*l*.?—Yes.

5811. And from that 424*l*. has the ground rent of 118*l*. been deducted?—Yes.

5812. That would be a very small interest upon your money?—Yes; they are a class of house which was very much wanted in Burnley about 8 or 10 years ago, just when they were built; they are semi-detached villas, and several persons engaged to purchase them. The American war broke out, the cotton trade became bad, and we had to lower the rents in order to keep them occupied. They are now gradually recovering as the trade is recovering; that accounts for the poor interest.

5813. What is the meaning in the profit and loss account of 1869, of "Written off buildings in Palatine Square, 287*l*."?—That is to meet any loss which there may be,—not that we anticipate any.

5814. In last year's account the amount is larger, it is 420*l*.?—Yes.

5815. In a certain sense you have been acting as a land society?—Yes, what is generally called a land society; we never call it such.

5816. And so far as regards the experience which you yourselves have had, you see that there may be a speculative character in land transactions which will involve loss?—Yes.

5817. Then your experience so far has not been a profitable one?—No; but on the cottages since then we have made a profit; that profit will appear in a future year. It does not appear in the report which you have. One way to remedy that objection is, not to allow building societies to build a house of above a certain value. I make that suggestion from the experience of those houses in Palatine Square. They are too good for the parties to deal with.

5818. Your item "Paid for buildings as per last report, 11,351*l*." includes Palatine Square and the cottages?—Yes.

5819. Then, so far as I understand, you are not merely mortgagees, but you are actual builders?—Yes, and then the houses are purchased from the society, and money is lent upon them to the persons purchasing.

5820. You make an agreement to buy a certain plot of land, and you put a cottage upon it, and then you sell that cottage to one of your own shareholders, retaining a mortgage?—Yes.

5821. There is no absolute conveyance, but only an agreement? there is no conveyance to any trustee, or any individual representing the society?—No.

5822. And notwithstanding the fact that some of your buildings have not turned out well, you still think that the power of combining a land society and a building society is one which would be wisely granted by the legislature?—Yes.

5823. Have you heard of cases in which persons with an interest in a land society have bought landed property cheap and have sold it dear to the society afterwards?—Only by reading newspaper accounts. I do not know of any such cases myself.

5824. Is not that one of the dangers to which land societies are supposed to be generally exposed?—Yes.

5825. As your object is to deal with that, the value of which is obvious in the interest of the working classes, is it not rather dangerous to add a speculative element to the sort of business which you carry on?—It is dangerous to add a speculative element.

5826. You mentioned a period at which the class of

houses which you had built very much deteriorated in value; were the other houses upon which you had advanced on mortgage generally much depreciated?—Yes, that class of house.

5827. Then those houses on which you had made recent advances, and on which the repayments had not been large, were possibly not even worth the money which you had advanced upon them?—We are always careful not to advance more than the property would sell for by auction.

5828. But if an event like the American war occurred, would not the depreciation be sufficiently rapid to overtake the repayments, which reduced the proportion from five-sixths downwards?—No. I think that every piece of property which was mortgaged in the worst part of the American war would have sold for more than the amount for which we had a mortgage upon it.

5829. What is your objection to the removal of the exemption from stamp duty, beyond the small inconvenience of the interference of the duty with the transfer? Do you think that the class of persons who invest in a society which has so much capital as nearly half a million of money, ought not to pay what is in fact a recognition to the State of the service which the State does them?—Taking it in that light, it is quite true. I think that they should view it quite in that light; but the object which I have in view is to get the transfer of cottage property at as little expense as possible, and that is one way of doing it.

5830. Do you think that your members are of that class who would not be aware that all taxes are laid on for some service which is performed for them?—The majority of them would be aware of that fact.

5831. Do you not think that men of that class would be willing to pay the few shillings which stamps and other exemptions now amount to, if it was plainly set before them?—The majority of the working classes in the cotton districts do not much care about taxes of any kind.

5832. Then how do you think that the members themselves appreciate this exemption? Are they thoroughly aware of it? and being aware of it, do they think that it is an advantage of the withdrawal of which they would much complain?—They would complain about it. In almost every prospectus issued by a building society, it is stated that they are free from stamp duty.

5833. If that statement were omitted, do you think that it would be materially noticed?—I could not say.

5834. When the exemption was first granted, it was of course a considerable concession to the class of very small houses, and to the class of persons who were supposed to be interested in the earlier days in Benefit Building Societies?—Yes.

5835. But it is now a comparatively small matter?—It is very small now.

5836. Notwithstanding that, you think that it is wiser to retain the exemption?—Yes, I think so, up to 500*l*.

5837. (*Chairman.*) I notice that in your last balance sheet for the year 1870, you speak of two branches at Padiham and Brierfield?—Yes.

5838. Are those places near Burnley?—One is two miles, and the other three miles away.

5839. Is the business of the society managed at the central office at Burnley?—Yes; we attend at those two branches about two hours a week.

5840. Have you anything to do with any property which is not situated in the district?—Yes.

5841. Where?—We have some in Manchester, and some in Preston.

5842. Have you made advances upon property situated in those places?—Yes.

5843. To what extent?—Taking the property outside the town, perhaps 20,000*l*. has been advanced upon it.

5844. You do not mean by that, that 20,000*l*. is due at present, but that 20,000*l*. has been advanced at different times?—Yes.

*Mr. W. A. Lee*

5 May 1871.



*Mr. W. A. Lee.* 5845. What security have you that the advances upon property away from the town are properly made ?  
 —Three of our directors always go and inspect the property.

5846. How are three of your directors, who I suppose are residents at Burnley, capable of judging of the value of property at Manchester or at other places ?—If they have any misgivings, they go to a

The witness withdrew

*Mr. GEORGE LEA and Mr. S. T. WOODHOUSE examined.*

5848. (*Chairman to Mr. Lea.*) I think that you have been connected with several terminating building societies at Manchester ?—Yes.

5849. Will you state the names of those societies, and the dates of their foundation ?—The first society I began to manage was the First Freeholders', and it held its first meeting on the 3rd of September 1845, and by adjournment each month, until the first Wednesday in January 1846, and then it went on meeting on the first Wednesday in every month ; that was a very large society.

5850. What was the number of its members ?—We had 11,000 shares ; we received perhaps from 10,000*l.* to 15,000*l.* per month, and we borrowed some money, not much ; the bankers allowed us to overdraw. The overdraw was governed a good deal by our month's receipt of subscriptions.

5851. That society terminated of course many years ago ?—Yes, it terminated in about six or seven years from that time, but it has been succeeded by a second, third, and fourth society, the two last of which are still running upon mainly the same principles.

5852. With how many of these terminating societies have you been connected ?—I think 40.

5853. I have the names here of eight terminating societies founded at different periods from 1863 to 1869, and possessing among them a total amount of assets of more than 186,000*l.* ?—Yes, those will be some which have not yet run out ; my son has sent the return from the present societies which we have.

5854. Can you state at all the number of members of those eight societies ?—They average about three shares each. If you divide the 11,000 by three in the First Freeholders you will get the number. Three shares would be the average which they would hold.

5855. How many shares would there be in each of the societies ?—They varied. I daresay that we never should have above 1,100 in any, except the first of the Freeholders' societies, which had 11,000.

5856. But what is the number of members in those societies ?—There may be 100, or 150, or 200 ; say, in all the eight together, from 1,600 to 2,000 members.

5857. Have all these terminating societies with which you have been connected possessed borrowing powers ?—They have used them.

5858. Have they possessed them ?—Sometimes they were allowed to pass in the rules, and sometimes they were struck out.

5859. Do you mean that they have used them whether they have possessed them or not ?—Yes.

5860. Precisely in a similar way ?—In a similar way. We never had any doubt about it. We considered that we were quite right, so long as the managers and those connected with the club made themselves personally responsible, and that they did under the advice of the lawyers.

5861. Was not it the practice, with regard to the earlier societies, that the loans were borrowed upon the personal security of the directors ?—Distinctly.

5862. Has that practice been departed from ?—I have seen deeds placed with a banker who has advanced some thousands of pounds, giving to the banker a lien upon the mortgages, but very seldom.

5863. Have any of those societies with which you have been connected been worked without a regular receipt of loans or deposits ?—None since 1845. I can go further back. In 1836 there was a society in which my father was, and they borrowed.

5864. Are you acquainted with any society before

surveyor in Manchester, or in the town where the property is. In Manchester I went myself to inquire of local gentlemen whom I knew in Manchester, as to what property there would sell for. In addition to that, three directors examined the property as well.

5847. Do you encourage foreign business of that nature, or the contrary ?—No, we prefer having it in our own town.

that date which did not borrow ?—No, I was only 20 years of age at the time that I speak of. I was managing the books for my father who was connected with them.

5865. Are all these eight societies conducted upon much the same principle and by the same rules ?—Pretty nearly. There is one as to bonus which has been a good deal altered. It used to be a competition who should be served first ; but for the last seven or eight years they have fixed a sum of 5*l.* as bonus to be taken out of the 100*l.* in the first year, thinking that a sufficient guarantee ; 4*l.* in the second year, 3*l.* in the next year, &c., and in four or five years we think that we have gained sufficient to allow the members the full 100*l.* That is clearly set down in the rules of the Second Brunswick Society, which is about the last society we formed, seven years ago.

5866. Is there any material variation between the rules of the Second Brunswick, and the rules of the other societies ?—Not for the last seven years ; it is on the same foundation. We do not now want any more bonus than 5*l.*, to guarantee the society against any loss.

5867. What is the amount of the shares in the Second Brunswick ?—100*l.*

5868. Is the amount similar in all the societies ?—Yes, they are pretty nearly all of the amount of 100*l.* They used to be 120*l.*

5869. The members obtaining advances pay this 5*l.* bonus, and what interest ?—We deduct 5*l.* and only give them 95*l.*, and they pay us five per cent. on that 95*l.* for the first year ; but during that first year they pay 6*l.* back towards the principal, and then we charge them interest on 89*l.* Every year they will have paid 6*l.* in, and we charge them 6*l.* a month or 6*s.* a year less on every share for interest, making it simply five per cent.

5870. In how many years is the repayment complete ?—They never do complete ; perhaps eight years is the longest time to which they run. In the society whose report is before me they tried to break it up upon giving the investors 7½ per cent., and the investors say, "Give us 7½, and we will go."

5871. My question was, for how long a time do the repayments last ?—After about eight years at the furthest, they all meet together and break it up, and start a new society.

5872. But the person who has had an advance must repay that advance ?—Yes, but we make a calculation how much will pay the investors a very good interest.

5873. Then after the expiration of a certain number of years, it depends upon what the investors will take ?—Yes, and they very often deal with the loans as a matter of five per cent. They terminate a good deal before the term which they have put down.

5874. What is the reason of that ?—They get tired ; some grow old, and some get rich, and want to go out, and then they get mulcted ; they will not let them go out without leaving some profit to the society ; perhaps sooner than that they will go on a little bit longer.

5875. Do they not also find a difficulty towards the termination of the society, in finding persons who will take advances ?—No, those things modify themselves very well. If we do not want money we do not borrow it.

5876. When a terminating society has been going on for many years, are not the rates of repayment very heavy ?—No, they are very much less, because

we charge them less interest. On every 100*l.*, less the bonus, they repay 6*l.* each year, but then they pay less interest. Of course they pay us upon 6*l.* less in the second year than in the first, because they have paid 10*s.* a month back during the year.

5877. When a person obtains an advance, you say that he shall pay back 10*s.* a month?—Yes; and there is no further call upon him. There is only the interest upon the balance from year to year.

5878. What are your fines for non-payment?—Generally 1*s.* for not paying the 10*s.* and interest.

5879. Do they increase?—They double to about four times. If an investing member does not pay for 12 months, his entire payments are forfeited. If a purchased member misses for three months, we usually take possession of the property.

5880. Have you been obliged to take that course?—Yes; I have 50 houses this year to take possession of; they are all cottages, which have only perhaps been in two or three hands.

5881. What do you mean by their only having been in two or three hands?—Only two members owned them. In one case the man had made his will in such a way that the club could not be paid out of rental, and therefore the owners have actually desired us to sell in order to assist them.

5882. What is the average amount of the advances which you have made?—We think that the highest proportion which we should lend is three-fourths of the value.

5883. But what is the average amount in money of each advance?—Perhaps 1,000*l.* would represent it.

5884. I see that there is one advance of 150 shares?—Yes.

5885. What was the condition in life of the person to whom that advance was made?—He was a Manchester merchant.

5886. Was it made for building purposes?—No, it was advanced upon freehold dwelling houses, of a long established rental of 1,200*l.* a year.

5887. What was the sum advanced to him?—It was about 12,000*l.* at the time. It had gone on for two years.

5888. Then there is another advance of 79 shares; that is No. 27?—Yes; that is a similar case; a fishmonger in Manchester. Property came into the market which he thought would be useful to him, in consequence of alterations in the town, and we lent him three-fourths of what he gave for it, and since then it has much increased in value.

5889. What was the amount of the advance which was made to him?—I should think that it would be about 5,000*l.*

5890. Do you find that persons in the position of the working classes become advanced members of your societies?—Yes, a good many. There are about 30 who have purchased, with 254 shares—that would show what the average is.

5891. What sort of wages would persons be receiving who obtained such a small amount as one share, for instance?—2*l.* a week. A person may be in a little shop, and what their gains are we have no means of knowing, but they are always very saving men.

5892. Do the mill hands, as a rule, become advanced members?—The overlookers and those persons in a higher position than the actual spinners, and so on, do.

5893. Do those in a lower position use these societies largely as investing members?—They do.

5894. Has it at all fallen under your knowledge in what way they use the money which they receive when their shares are paid out?—It has in many ways. I have seen many persons saved from distress when strikes and things of that kind have come on, and I have seen them starting little businesses when they have grown old. A man who has worked in a mill and has worked hard, will with his wife take a little shop upon the money which he has saved. I have seen hundreds of cases of that kind.

5895. There is a power of withdrawal in all these societies?—Yes, upon a month's notice. If it is only a few hundreds we repay them even without a notice,

but the rule says that they shall give a month's notice.

5896. What do you pay them on withdrawal?—Perhaps nothing the first year, then from two to three per cent., and then five per cent., after that, whatever can be afforded.

5897. Is it the invariable rule that any person wishing to withdraw is allowed to do so?—Yes, I have known them to have to wait a month or two, but not recently. There is a great feeling amongst the directors not to allow anyone to wait.

5898. I suppose that in all these rules there is power to the directors to compel them to wait?—They could be obliged to wait until the loans were repaid, but we do not do that now, it would give to the directors a power of coercion which the little members would not stand.

5899. In these societies what sort of proportion does the money received from loans bear to the subscriptions from shares?—This statement is as nearly a correct one as I know, and you will find that the "loans on note" are 16,209*l.* 10*s.* This is the seventh annual report of the Second Brunswick Society. The top item in this stock account shows that seven years' full subscriptions have been paid in, and they amount to 24,432*l.*, as against 17,197*l.* 2*s.* 0*d.* borrowed. I think that is a fair average for them.

5900. That is the ordinary proportion in your societies?—It is a safe one. They do not always borrow so much as that, often less.

5901. What rate of interest do you allow to depositors?—In the first year nothing; in the second year it may be two per cent., in the third perhaps four, and then five per cent.; but never more, unless the committee awards it.

5902. What do the shareholders receive?—The investing shareholders receive the money they have paid in, with interest at the rate allowed at the time.

5903. At the bottom of the Seventh Report of the Second Brunswick Society I see, "Balance to divide, 1,183*l.* 17*s.* 11*d.*, or 2*l.* 0*s.* 9*d.* per share on 581 "shares"?—Yes.

5904. Then there is a bonus of 2,436*l.* 2*s.* 0*d.*, or 4*l.* 3*s.* 10*d.* per share?—Yes.

5905. Making the total profits 6*l.* 4*s.* 7*d.* per share, which, I suppose, is the year's profit to the share?—No, it is all the profit up to the present time.

5906. At the foot, again, there is a note, "Balance to divide, 1,183*l.* 17*s.* 11*d.*, if only investors participate, will give 9*l.* 7*s.* 2*d.* per share on 126½ shares, equal to 6½ per cent. bare without any deduction "for loss or rebate in interest and winding-up "expenses"?—Yes.

5907. How are the officers of these societies paid?—When money is advanced the party borrowing pays 4*s.* for every share, and this forms a fund out of which the managers pay their own expenses; it does not go into the general fund. They have no other payment.

5908. How are the societies generally founded?—They are like cuttings in a garden; they grow one out of another. They never entirely break up, but they found one out of another; and that has been going on for 25 years in several cases, and much longer in some.

5909. Does that action proceed from the members of the terminating society or from its officials?—Both, because they cease to do business in about six years.

5910. Do these societies hold their meetings at public-houses?—Very few now. They hold them in school-rooms and chapel-rooms, and such places.

5911. It was the original practice to hold them in public-houses?—It was, and we charged the members 3*d.* or 4*d.* a night each, that they might drink at the public-house, instead of paying rent. We now pay 6*l.* a year to some chapel-keeper, and so on. That is pretty nearly general, excepting in a very large society where we have paid as much as 50*l.* a year for the Corn Exchange, or the Free Trade Hall.

5912. Is the change which has been made in that respect more popular or less popular?—The members come less now to the meetings; they pay their money

Mr. G. Lea.  
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at the office. Indeed, we have many teetotallers, who do not like to go to the public-house. They live further out now than they used to do.\* That is one reason why they do not meet so much at the public-house as they used to do, even those who have no objection to take drink.

5913. Do the members live generally close together in a certain district?—No, it acts both ways. In some districts persons would rather throw their money away than that their neighbours should know that they were saving. We have a great deal of money from persons at a distance. They are never tied to come at any particular time, but only to come before the night of meeting.

5914. Have you any members of the society who live out of the district?—Yes, in Liverpool.

5915. Are those investing members?—Not generally. In some cases they have removed from Manchester whilst they have been unpurchased members, and have continued; we frequently have such cases.

5916. Have you any rule as to advancing money on property not situated in Manchester or its neighbourhood?—No, only an extra charge for inspecting.

5917. Who inspects?—All the managers if it is a large advance, and two, who report to the others, if it is a small one.

5918. Has any difficulty arisen from the varying nature of the value of property in different localities?—When Birkenhead sprang up, some 24 years ago, we did suffer from going out of our own neighbourhood, and suffered severely, but we have of late very seldom lost anything, unless in one or two cases, where we have taken mill property; we have lost then.

5919. Can you give us any idea as to the proportion of your advances which you have lost?—It is so long since that I cannot come nearer than this, that out of about 66,000*l.* we lost between 2,000*l.* and 3,000*l.*, but that is extending over a very long time. That is in answer to your question whether we go away from the town. We know very well what property in our own town is worth.

5920. Do you mean that you lost that amount from advances away from Manchester?—Yes. We perhaps did not then know our business so well as we do now, but it is not so well to go away from home.

5921. Are there many other terminating societies in Manchester except those which you have mentioned?—I think there are.

5922. What do you consider is the relative popularity of the two principles?—Is the terminating or the permanent principle the popular one in Manchester?—I know which is doing the most business.

5923. Which is doing the most business?—The permanent societies, amazingly larger than the others.

5924. Are the terminating societies gradually dying out?—Yes, I think so, except with a few people, like myself, who have become as it were wedded to them. The system of club we now call terminating, originated in our office about 30 or 40 years ago.

5925. (To Mr. Woodhouse.) I believe you are secretary to the "Queen's" Building Society, at Manchester?—I am.

5926. Can you state the number of members of that society, and the extent of its operations?—There are about 10,000 members in connexion with it at the present time, and our last year's balance sheet shows the extent of our business. We are doing about the same business this year as we did last year.

5927. It is a permanent society?—It is.

5928. I see that your receipts, according to this balance sheet, for the year ending January 1871, were 439,630*l.*?—Yes.

5929. On the payment side you have "by mortgages 180,104*l.* 13*s.* 10*d.*" Does that represent the amount outstanding on mortgages?—It represents the amount actually advanced during the year.

5930. Then there are "shares repaid 148,209*l.* 13*s.* 9*d.*" What is that?—Are those withdrawals?—Those are withdrawals from the general funds.

5931. "Deposits repaid 71,254*l.* 19*s.* 10*d.*," and

"loans repaid 15,405*l.* 5*s.* 4*d.*" What is the difference between deposits and loans?—Deposits are amounts which are left with us for temporary purposes, and loans are for a period. We pay half-yearly interest upon them. We do not take less sums than 100*l.* at a time upon the loan account. Although they are called loans, they are still paid-up shares, as we issue the scrip for that amount; the only difference being, that in the case of the loans we pay the interest half yearly.

5932. The amount which you received on deposit was very nearly the same as what you repaid, namely, 72,602*l.* 13*s.* 3*d.*, against 71,254*l.* 19*s.* 10*d.* The amount received from loans was rather larger than the sum which you repaid, namely, 21,529*l.* 9*s.* 5*d.*, against 15,405*l.* 5*s.* 4*d.*?—Yes.

5933. What is the amount of your shares?—10*l.*

5934. In what sums can they be paid?—In any sum from 6*d.* upwards, or any number of shares may be paid up at once.

5935. In either case, whether they are paid-up shares, or whether they are ordinary shares, do they appear here under the head of shares?—They do.

5936. What was the object of having paid-up shares?—To enable us to pay the interest annually.

5937. The Act prohibiting that being done unless the share was fully paid up?—Yes, until the share was completed.

5938. For that reason of course the shares were fixed at the low amount of 10*l.*?—That was the reason.

5939. What is the interest which you pay to your shareholders?—Five per cent.

5940. Is that fixed?—We pay that, but in three years' time we intend to take an account, and if we can pay a larger rate we shall do so at that time.

5941. Has that been your practice hitherto?—No, hitherto we have paid six per cent. until the last two years.

5942. What was the reason for lowering the rate?—We had too much money paid in, and we found a difficulty in placing it upon mortgage; we therefore reduced the price of our advances, and consequently had to reduce the rate of interest which we paid.

5943. Would not that apply rather to loans than to shares?—No, it was from the share capital that we received so large an amount.

5944. The reason of that, I suppose, being that your paid-up shares of 10*l.* were practically loans?—Practically.

5945. They are not like the ordinary shares of a building society?—They are not paid periodically, as a rule.

5946. Taking your number of shares, what proportion consists of paid-up shares, and what of ordinary shares?—We should take all as fully paid-up shares in excess of the 10*l.*, and the amounts under 10*l.* would bear a small proportion, as you will notice from the schedule which is attached to the report. That is a list of the exact amount to the credit of each shareholder at the date of that balance.

5947. Those amounts, I see, vary very largely?—Very largely.

5948. Can you state what is the highest amount standing to the credit of any one shareholder?—5,300*l.*; that is number 35 on the list.

5949. Is that shareholder simply an investor?—He paid up so many shares, and he has let the amount remain at interest.

5950. Has he ever taken an advance?—No.

5951. What is your rule with reference to withdrawals on the part of investors?—Sums under 50*l.* we pay upon demand; for sums exceeding that amount we require a month's notice.

5952. When the month's notice has terminated, the money is repayable as a matter of course?—Yes.

5953. In this case of one shareholder having more than 5,000*l.*, might not that be a large sum to meet?—The rule would apply, but we might not be able to carry it out, and therefore our rules provide that it

shall be done if the funds permit. In a general way it is paid at the end of the month.

5954. What is your rate of interest upon the amounts advanced?—We charge a bonus of 5*l.* in the 100*l.*

5955. That is when the advance is made?—Yes.

5956. And what per-centage do you charge?—Five per cent. upon the annual balances.

5957. How are advances repaid?—At the rate of 8*s.* per fortnight per 100*l.*

5958. Is the balance upon which the interest is calculated, that which stands against the person obtaining the advance at the commencement of the year?—It is.

5959. And in fact he pays interest upon money which he has repaid?—Yes, during the year.

5960. That makes his real interest a higher rate than five per cent.?—The society has the advantage of the repayments during the year.

5961. Have you ever calculated what rate of interest that really amounts to?—The annual payment on 100*l.* is 10*l.*, and being paid over the year, it would be equal to six months' interest on the 10*l.* or 5*s.*, it would be a quarter per cent. on the 100*l.*

5962. What amounts do you receive on deposit? have you any limit?—We have no limit.

5963. You have no limit either way?—Just so.

5964. I see from your prospectus that you open accounts and provide cheque books for depositors, and in fact you act as a regular bank?—Only for our own members, we do not do a large business in that department; it is simply for our shop-keeping members who have to meet engagements, and who wish to place with us the amounts as they come into their hands, with a view to make the payment in one amount.

5965. Then that department of business applies to persons who are already members of the society?—Yes, and the amount of the cheque is limited.

5966. It is limited to 50*l.*?—Yes.

5967. Have you a large sum standing to the credit of any one person on deposit?—No; the total amount which we had last year standing to credit was 5,600*l.* in that department. They are simply temporary amounts. It is for the convenience of our own members and at their solicitation that we do it.

5968. Is that accommodation used, as this prospectus would appear to show, almost entirely by tradesmen, and for very temporary purposes?—It is.

5969. Your real deposit system consists of paid-up shares?—Yes.

5970. What are the loans?—Those are paid-up shares, with this distinction, that we pay the interest half-yearly.

5971. Are those loans taken from any person?—Yes.

5972. In sums, I think you said, of 100*l.*?—100*l.* and upwards. That was with a view to meet the cases where persons required their interest for the payment of rent, and charges of that kind.

5973. What is this item in the receipts, "premiums" 5*s.* 7*d.* 15*s.* 6*d.*? Is that the five per cent. payable in advance?—Yes; for short terms we do not charge so much, and hence the difference.

5974. Then in the profit and loss account I see "deferred premiums on mortgages extending over 10 years 2,212*l.*"; what is that?—That is our old system, when we charged 10*l.* upon every 100*l.* advanced; the member executed a mortgage to the society for 110*l.*, and 1*l.* was written off each year as profit to the society. The amount which we now charge is not redeemable, but it is made to the society.

5975. Then you took as profit in each year the amount of deferred premiums received in the year?—We did.

5976. Is that a correct practice?—No, and that is the reason why we altered it. It is said that the balance in favour of the society is subject to the repayment of the deferred premiums, that is as to the proportion now due.

5977. Where is that statement?—In the profit and loss account.

5978. How is the expense of management paid?—It is a per-centage on the amount advanced upon mortgage.

5979. Does that form part of the sum of 979*l.* 10*s.* 8*d.* which is put down to "bankers' interest and commission"?—No.

5980. What is that commission?—That is the commission which is charged by the bankers for our business.

5981. Then there is "agents' commission, and management expenses." That is the item to which you allude?—Yes; and the other charges. All other expenses, except the bankers' charges, are included in the per-centage upon the mortgage.

5982. Are the agents persons who are occupied in obtaining members?—They are persons who are appointed in other towns where we have a large number of members, to receive their subscriptions.

5983. They are branch offices?—Yes, in towns around Manchester. We employ no one in seeking members except those agents.

5984. I see that there are several amounts towards the end of the account for payments which would come under the head of management expenses. What is their total?—Those sums are all included in the per-centage of which I speak.

5985. There is "printing, stationery, and advertising"?—Yes, and "rent, rates, and taxes."

5986. It is more than 3,000*l.* altogether, is it not?—Yes.

5987. Have you many branch offices?—We have 10.

5988. Are they all within a certain distance of Manchester?—Yes.

5989. How near?—The majority are within six miles of Manchester.

5990. Do many of your members reside away from Manchester and its neighbourhood?—We have a large number who are not resident in Manchester.

5991. Do you make advances upon property which is situate away from Manchester?—We have done so in a few cases, but it is an exception.

5992. Have you any connexion with any land societies?—No; we once purchased a small estate, but the transaction was completed in a year. Some of our members took objection to it, and it has not since been repeated.

5993. I suppose from that that there is no wish on the part of your society to take up the business of a land society?—There are many difficulties in connexion with a land society in Manchester; the land not being freehold, but being subject to a chief rent, which makes it very difficult to deal with.

5994. Was any loss incurred when that attempt was made?—No, a profit was made.

5995. But I suppose the members objected to that class of business?—Yes.

5996. Do you employ any of your money in investing in any land society?—We have not done so.

5997. (*To Mr. Lea.*) Is that the case with your society?—We never use the money of building societies for purchasing land, speculating, or building in any way.

5998. Nor do you invest it in a land society in any way?—No. We have had real land societies, who have done land business and nothing else.

5999. Is there any point connected with your two permanent societies, the Cross Lane Permanent and the Brunswick Permanent, which differs materially from the Queen's?—Our junior partner takes those permanent societies altogether.

6000. You are not prepared to speak upon that subject?—No.

6001. I suppose that the operations of those two permanent societies are not of so extensive a character as the operations of the Queen's society?—Nothing like it. The last one is only three months old.

6002. The Cross Lane Society was founded in 1868, and the Brunswick in 1871?—Yes.

6003. (*To Mr. Woodhouse.*) Do you wish to make

*Mr. G. Lea.  
Mr. S. T.  
Woodhouse.*

5 May 1871.



Mr. G. Lea.  
Mr. S. T.  
Woodhouse.  
5 May 1871.

any statement with regard to building societies generally, with respect to their legal position?—We are anxious that their present position should be improved, and with a view to that we should support the bill which was brought forward last session by Mr. Gourley, and which was called the Building Societies' Act. The general feeling amongst our directors is, that it would be a very great advantage to building societies if a special Act was passed for them. They being at present enrolled as friendly societies, it makes it difficult to know what the existing law is with regard to them, and especially as to the borrowing powers.

6004. Your Queen's Society has borrowing powers, has it not?—We have no borrowing powers.

6005. You only exercise them?—We do not exercise them, excepting with regard to the small amount of deposits. All our capital at the present time is share capital, but we might require to borrow money at some time, and we should find a difficulty in consequence of not having those borrowing powers.

6006. What are your "loans"?—Those are chiefly fully paid-up shares.

6007. I did not understand from your evidence that the sums which are entered as loans in your accounts were fully paid-up shares?—The only distinction which I mentioned was, that we paid the interest half-yearly on those amounts under the head of loans, and yearly upon the paid-up shares.

6008. So that, in fact, you entirely escape the difficulty of not having borrowing powers by your system of paid-up shares?—Yes, but we should still like to have borrowing powers.

6009. Why?—Because we might have a large demand for withdrawals, at a time when we could not meet them, except under such a power; and it would be a very serious matter to the society and to its members.

6010. Could not you meet them under your present system?—We might not be able to do so; but if we had borrowing powers we might be able to meet any ordinary demand, or even an extraordinary demand; whereas if we had an extraordinary demand, without having borrowing powers, we might have to suspend our general business.

6011. Have you considered whether societies should be at all limited in their borrowing powers if they were granted?—I think that it would be a general advantage to limit the powers.

6012. Have you considered in what way that should be done?—I should say that the limit should be with reference to the amount advanced upon mortgage;—that the amount for which they should have power to borrow should be in proportion to the amount outstanding on mortgage.

6013. (*To Mr. Lea*.) Is that your view also?—I have not considered the point.

6014. But do you agree with Mr. Woodhouse in wishing to see borrowing powers given by law to building societies?—Very distinctly.

6015. (*To Mr. Woodhouse*.) With regard to preference capital, have you anything to say upon that point?—I should like a society to have power to issue preference capital by way of debenture for a term of years, but that, of course, would come under the head of borrowing powers, because if they had borrowing powers they could regulate it in their rules. My object in that would be that we should know that we had an amount for a fixed period. At present we are subject to a fleeting investment, and we might have suddenly demands for large amounts.

6016. You mean by way of withdrawals?—Yes.

6017. Do not your rules protect you against that?—They do; but if we were ever in such a position that we could not repay our investors we should practically cease doing business.

6018. Your prospectus offers no priority in any way to paid-up shares?—None.

6019. And it, of course, has not the right to do so?—Not at present.

6020. Is not that the real advantage which borrowing powers would give you?—That is the advantage.

We have a large amount of mortgages, which are a good security, but not available for any immediate pressure.

6021. Should you suggest any alteration in the present law with regard to the facility of winding up societies?—I think that it should be left to a majority of the members, and that a resolution passed by them should be binding upon all. At present an individual member may lead the society into a very expensive method of winding up.

6022. (*To Mr. Lea*.) Is that your view?—Let them stick to the rules, and if the rules do not suit, let them be altered, there is that power.

(*Mr. Woodhouse*.) The proposed Bill would give us that power if it was passed.

6023. As to registration, have you anything to say upon that point?—I think that that is very important, because there are many societies of the same name throughout the country, and if one is wound up without any explanation, it very often affects another society of the same name. I think that there should be a proper system of registration, the same as with joint stock companies.

6024. (*To Mr. Lea*.) Is there any point to which you wish to refer upon the general question?—I think that registration should be insisted upon in every case, and that there should be something like a scheduled answer to questions, as in joint stock companies; it could be easily classified, and we should know what we were bound to do; there would be less uncertainty; I think there could be a simple tabulated form, in which you should make your report every year to the registrar.

6025. Is there any other point to which you wish to refer?—I do not see how you provide for collateral securities, taken occasionally, which is sometimes a very great relief, and would prevent our having to sell in bad times, and enable us to tide over perhaps until better times.

6026. Would you be anxious to see collateral security allowed?—Yes, with its proper name, not taken as a first mortgage. I should be glad to see it sooner than that we should be pressed into the market, and it would be useful for many other purposes, and could not be dangerous to the general weal of the society.

6027. Of what nature should the collateral security be?—Such as should be approved.

6028. Of what particular nature?—It would depend upon what was offered; we would consider it when it was offered.

6029. Would you allow it to rest with the directors? Would you take personal security?—I should decline to take personal security; for instance, it should be a second mortgage upon other property, or government securities, shares, or anything of that kind. It might be very useful for the borrower to deposit with you a valuable security for six months or a year.

6030. Would you take a policy of insurance?—Equally with other things, it would depend upon how long it had run.

6031. (*To Mr. Woodhouse*.) What is your view upon that point?—I do not see how legislation could effect that. We have often taken a life policy when the property depended upon the life, in case of depreciation of the property,—as for instance from a gentleman at the head of a school,—but I do not see how it could be done by legislation or by the bill.

6032. It would not be allowed by the proposed bill?—No.

(*Mr. Lea*.) I have seen it done hundreds of times, and usefully done, and it has added safety under the circumstances.

6033. On the other hand, might not the probable injury outweigh the benefit of it?—That would always have to be considered at the time, but generally speaking, it could not tell in that way, because they pay every month, and every month the risk gets less.

(*Mr. Woodhouse*.) If the directors had the power, it would remain at their discretion to increase their safety by taking collateral security.

6034. (*To Mr. Lea.*) Is there any other point upon which you wish to remark?—Yes, there is the point with reference to releasing the mortgage. When it is paid off you get the mortgage released by the persons who are trustees at that time. But from time to time men die off, and especially if it is a permanent affair, there must be fresh trustees. We have always given with the release the affidavit of the secretary that the persons named were the trustees, and that we knew them to be so, or they had been appointed according to rule in the place of some who had ceased to be so, and that we knew them to be proper parties. That document went with the release, and the secretary signed it. I have signed many hundreds of them. I have signed as many as 90 in a batch; that is to say, that John Smith is the right party, and we have given them a copy of the minute book showing that it has been done. I think it is a question whether on release of the mortgage there should not be an affidavit by the secretary that the trustees releasing are the proper parties, and a form given of such affidavit. I refer to clause 39 of the bill. The next little thing which I would mention is that if a borrower be tenant of all or any part of the property which he gives you for his security, it should be provided that he attorn at a fair rent. Sometimes we ask a man to do so, but you do not ask everybody. Some persons will consider themselves too respectable to attorn for the house in which they reside. I would make it that everybody should do so, and then there could be no jealousy. May I add one little point of my own accord? A man who was with us 40 years ago has recently had, as secretary, to endorse a mortgage deed; he left Manchester above 30 years ago, and the party has had to ferret him out. If we had put it on his affidavit at the time, the matter would have been settled for ever, and requisitions for title could not have been raised.

6035. (*To Mr. Woodhouse.*) Are there any societies in Manchester of the Bowkett or Starr-Bowkett description?—I think not; not that I know of. I may say that before I came here I called upon the secretaries of one or two of the largest of our societies, to know whether they had any views to lay before this Commission; and they stated that they thought it very desirable that the Act relating to them should be taken from the friendly societies altogether, and

that a special Act should be passed, similar to the one proposed last session; and that they should have borrowing powers. Those seemed to be the only difficulties in connexion with the management of societies. I know of no other.

6036. (*Mr. Bonham-Carter.*) What is the class of house which is generally owned by members of your society?—The larger number of houses which we have in mortgage would be houses from 100*l.* to 250*l.* each, a very large number being occupied by our mechanics and the better class of workmen.

6037. Is it the practice generally to take a built house, or do you, as is the case in some other towns, find that a man takes the land, and do you advance whilst the house is building?—We do a large business in that way, but the majority of our artisans buy the property; they do not build it.

6038. Are properties built specially with the view of being purchased by members of building societies?—They are.

6039. What class of people build those houses; are they speculative builders?—Principally so.

6040. Is there also what may be called a legitimate trade amongst builders for the purpose? Is the demand of such a quality, and so certain, that a good class of houses is built in order to meet it?—It is a peculiar class of building; our first-class builders do not engage in it.

6041. What would represent a good mechanic's house?—Three rooms downstairs and three rooms upstairs.

6042. What house would suit a man who is earning 30*s.* a week?—He would pay about 5*s.* to 6*s.* a week for the rent of a house of that kind.

6043. And what would that house cost?—150*l.*

6044. Are the majority of the workmen's houses fairly represented by a house of 150*l.*?—They are.

6045. (*Chairman.*) Has your society anything of a political character?—Nothing. I may say that when our society was commenced, it was commenced with a view to popularise building societies in Manchester. You will notice that our investments are very large, and that arises from the fact of our office being open daily; it is also open on two evenings in the week, in order to meet the convenience of those persons who cannot come in the day.

The witnesses withdrew.

Adjourned to Friday next at half-past 11 o'clock.

Friday, 12th May 1871.

PRESENT:

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

SIR SYDNEY H. WATERLOW.

JOHN BONHAM-CARTER, Esq., M.P.

CHARLES SAVILE ROUNDALL, Esq.

MR. HENRY JAMES PHILLIPS examined.

6046. (*Chairman.*) I believe that you are secretary to the Temperance Land and Building Society?—I am.

6047. What was that society established?—In March 1854. I have been secretary of it since that time.

6048. What is the present number of its members? The number at the present time is as nearly as possible 10,560.

6049. What proportion of those are residents in London?—I have no means of knowing; a very large proportion, I should think.

6050. Then the business of the society is not confined to London?—Not at all; we take business from anywhere, so far as investments are concerned; so far as advances are concerned we limit it to England.

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6051. Do you advance upon property in other parts of England besides the Metropolis?—Yes; it is immaterial where it is, so long as it is in England, and we have not absolutely excluded Scotland—we have made some few advances there; but still we do not care about it, for we find that very few lawyers understand the Scotch law.

6052. Your offices are in London, are they not?—Yes, they are at No. 4, Ludgate Hill, where we have been for about a year and a half; previously to that our offices were in Moorgate Street. The number of members that we have had enrolled from the commencement is 22,700.

6053. When you make an advance out of the Metropolis, on whose report do you make it?—It is on the report of one or two of our survey committee,

Mr. G. Lea.  
Mr. S. T.  
Woodhouse.

5 May 1871.

Mr. H. J.  
Phillips.

12 May 1871.

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Mr. H. J.  
Phillips.

12 May 1871.

which is a body composed of five of the directors, who are selected from presumed eligibility, having had a great deal to do with building operations.

6054. I observe that the directors are all resident in or near the Metropolis?—Yes; there are 16 of them, and we get an average attendance of 15.

6055. How are they competent to value property in a distant part of England?—Some of them have a knowledge of various localities a long distance from London, but I apprehend that those who have not that knowledge must pick up the knowledge in the best way they can from inquiries on the spot. I have no doubt that in some cases they are at a disadvantage as compared with London.

6056. Have any losses occurred in your society on advances made at a distance from London?—Yes; but I do not know in what proportion as compared with London. I have never gone into that question.

6057. In your opinion is it not rather a hazardous business to make advances on property at a distance?—No, I think not. I think that our committee are usually very cautious, and all the more so that, taking them in the bulk, they are probably not so well acquainted with other parts of the country as they are with London and the suburbs.

6058. I see that in your balance sheet for the year ending 31st December 1870, it is stated that the society received during that year 173,343*l.* 9*s.* 4*d.* as subscriptions on shares?—Yes.

6059. What is the amount of your shares?—30*l.*

6060. Do you issue paid-up shares as well as ordinary shares?—Yes.

6061. At the same amount?—At the same amount.

6062. What proportion of the sum which I have named consists of paid-up shares, and what proportion of the ordinary shares?—That I am not prepared to say. I have not taken out any particulars as regards that point.

6063. What is your object in issuing paid-up shares?—To obtain capital to advance to other members who wish to borrow, because if we did not issue paid-up shares we should be simply in the receipt of the 4*s.* per month, the amount paid for the subscribing share, and we should be a long time before we should have capital enough to lend to those persons who might want to borrow; so that we issue completed shares, in order to produce capital to lend to members.

6064. During the year which I have named I see that you made advances to members on mortgage of house property to the extent of 176,617*l.* 17*s.* 10*d.*?—Yes; that made a total since the commencement of 1,600,000*l.*

6065. How much of that amount is at present outstanding?—The amount of actual cash out upon houses is 730,000*l.*

6066. You received last year rather more than 135,000*l.* as repayment of building advances?—Yes.

6067. Is that about an average?—I think that it is rather under the average. The previous year I think we did not receive so much as we did in the year before.

6068. What was the reason of that?—We concluded that the members were not sufficiently prosperous that year to pay off so rapidly as they had done previously. At the end of the year our members in arrear were rather a larger proportion than they were previously. We considered that that was the result of the state of trade during the year.

6069. On what terms are your advances made?—At an interest of 5 per cent. upon the balance at the end of each year, that is, in addition to the premium; the premium varies from time to time according to the demand for money. Our practice is to offer a sum of money for sale on the first Monday in every month. We receive a tender from any member who wants to borrow, and the highest tender secures the advance, and that fixes the rate for that month; other members who wish to borrow during the month have to pay a slight addition to that rate. There are times when the society has a large amount of money unemployed; and then the directors fix a minimum price,—they say that

all tenders received at not lower than a certain sum will secure an advance. Our difficulty latterly has been to get our money out; we have more money now than we really can profitably invest.

6070. Do the directors fix a maximum as well as a minimum?—No, they never fix a maximum.

6071. What is the highest premium per cent. which you have known paid?—The highest was at our first sale in 1854, but that was a very exceptional thing; the highest premium was 1*l.* per share, which was equivalent to 3½ per cent.; that being added to the 5 per cent. made 8½ per cent. It arose in this way:—the member who offered that premium had some shares in a terminating society which was then about to terminate; he wanted to borrow, and he said afterwards that it paid him to offer a very high rate in order that he might secure the money, and run on until the other society terminated, and receive his share of the profits. Since then the premium has gradually come down, until it is now only 3*s.* per share, which is equivalent to 9*s.* 4*d.* per cent.; but I apprehend that that will last only so long as we have a considerable sum of money unemployed. We look upon something like 8*s.* or 9*s.* per share as a fair average.

6072. When 8½ per cent. was paid for an advance, I suppose that all advances made during the month were ruled by that rate, were they not?—At that time we had not much money, because we had only just started; that was our first sale, and our next sale, I think, did not take place until some months afterwards. We have now a sale every month, and members may get money when they want it.

6073. What are the payments in repayment of an advance?—They are dependent upon the time for which the advance is taken. A member has an opportunity of taking an advance for any term not exceeding 12 years if the property is leasehold, or 15 years if it is freehold; in that way, by fixing it for a long term, he makes his monthly payment easy, while he has a right to pay more than that amount at any time, or to redeem his mortgage at any time, and to leave the society; so that practically he makes his payment what he likes. But having fixed it at the outset he cannot pay less; he must make that monthly payment in order to work out the advance in the time.

6074. For 12 and 15 years what are the monthly payments?—At the present rate they would be 1*l.* per cent. per month for 12 years, and 17*s.* 3*d.* per cent. per month for 15 years; that includes principal, premium, and interest, all payments, excepting the payments at the outset for the mortgage, the survey, and so on.

6075. Has it been the rule that members have paid off their advances before the term was up, or the other way?—A large number have occasion to leave the country or to leave the locality, and they dispose of their house, and in many cases they absolutely redeem; but in a larger number of cases they transfer to another member who takes their place, paying them the difference between the amount of the society's claim at the time and the agreed price for the house.

6076. What are the fines upon non-payment?—Sixpence per month per share. You will find the fines in rule 12.

6077. According to this rule the fine does not increase with the number of payments in arrear?—No; it is simply 6*d.* per month, it is not cumulative, as is the case in some societies. A member being in arrear, say on a share of 30*l.* for one month, would have a fine of 6*d.*; if he was three months in arrear it would be 1*s.* 6*d.*; I know that in some societies it is 6*d.* for the first month, and 1*s.* for the second added to the first, and 2*s.* for the third added to the first and second. In our society it is 6*d.* a share whatever the repayment may be, and if the repayment is tolerably heavy from having taken the advance for a short term, it is a very slight fine.

*Mr. H. J.  
Phillips.*

12 May 1871.

6078. Do you find that it is sufficient to keep the payments regular?—In many cases there are certain members, who if you were to fine them what you liked, would not be regular.

6079. Last year you received 2,359*l.* in fines?—Yes; there is also a fine on the investing shares, but that is very small, it is 2*d.* a month.

6080. The major part of that sum, I suppose, represents fines on advances?—Yes, the great bulk.

6081. That represents a large arrear in those repayments?—It would do so.

6082. Can you state what that arrear is?—No, because it would include cases where the property has been sold, and the account altogether closed; and in those cases the fines would be deducted, and carried to the credit of the society upon the settlement.

6083. Have many cases occurred in your society where the fines have never been paid, or the repayments either, and the society have been obliged to take the property?—We have had a few cases where the members have never made a repayment at all, and I apprehend that they borrowed with no intention of making a repayment; but those cases are very few.

6084. Have you had many cases where members' repayments have failed, owing to difficulties into which they have fallen, and where the society has taken the property?—I have no doubt that a large number of the non-payments are attributable to that cause, but I have no direct means of ascertaining it. If the property realises more than our claim, we of course have a surplus to hand over. We have had a large number of cases of that kind. I have not particulars as to the amount which we have handed over in that way, but we usually carry it to a suspense account, because it is some months before it is settled.

6085. What is your rule as to the amount of advance which you make upon property?—We have no rule as to the proportion of value. Our surveyors value the property, and then the directors decide what amount of money shall be lent; and in deciding that question they have regard to a variety of circumstances, the main question being the value of the property. It sometimes happens that we have a very respectable man to deal with, who we know will keep up his payments regularly, and if he wants the money we know that we may go a little nearer the margin of value than in the case of a mere speculating builder, and sometimes we lend four-fifths, and sometimes more; and in a few cases we have lent the then full value, knowing that the property would rise in value.

6086. Have your anticipations been falsified in any of those cases; have you found the property decrease in value?—Yes, we have, in some cases; there are some neighbourhoods which we know are rapidly depreciating.

6087. Have you any statements of the varying amounts in which your advances have been made?—No, we have not taken that out at all; in fact that would be a long and tedious work; we have it not registered in any form.

6088. Can you state what has been the largest advance made by your society to any one person, or to a firm?—The largest advance which we ever made was 6,000*l.*; that was on a house in Scotland. It was a temporary thing, and the advance was soon paid off. I do not think that we have anything at all now in Scotland. We have made advances to a large amount to builders who have built, and then mortgaged, and then sold, mostly to occupiers; and then they have built again, and taken fresh advances, and sold again. We have made considerable advances to builders in that way.

6089. In what sort of sums have those advances been made?—In sums varying according to the size of the house. I find that the average per house of the total of our advances to everybody is something like 220*l.*

6090. You might of course advance to a builder on a good many houses?—Yes, I am taking it at per house.

6091. Have you advanced several sums of 2,000*l.*,

or thereabouts, in that way?—The great bulk of our advances are a great deal lower than that, but of course we do not refuse such cases as those, and we have made a good many advances of that amount; but then it would be, as I have said before, upon a number of houses, which, in many cases, the builder disposed of one or two at a time, and as he disposed of them we released him from the mortgage, and had a fresh mortgage from the purchaser.

6092. Are the bulk of your advances made to persons wishing to build or to purchase their own houses?—I should think that the bulk of our advances are made to builders, but the houses ultimately come into the hands of these people by their buying from the builders. A builder builds a number of houses, and mortgages them to us, and then he can say to a purchaser, "Now, you can take 'one of these houses, and I will transfer it to you; 'there is so much on it due to the building society, 'pay me the difference, and take my place'"—that is now very frequently done.

6093. Supposing that you were making an advance to a person for his own house, what would be the average amount? Would the sum of 220*l.*, which you have named, represent it?—I should think so. That is a fair average of the whole. I have not had an opportunity of taking it out in that form, and I really do not know what the actual result would be, but the great bulk of the houses mortgaged to us are not large houses.

6094. Are these houses occupied by the artisan classes or by rather a higher class?—A great many are occupied by the artisan classes, but a large number are occupied by those slightly above them. But in the case of a larger class of house, a building society is not so well adapted to that class of borrower, because he can do it rather cheaper otherwise. He, for instance, can find a portion of the money and can have a private mortgage at five per cent., and that will pay him better than borrowing of us at 6 or 6½ per cent. Therefore the higher we go in the scale, the less likely we are to get that class of borrower. It must be admitted that our borrowers pay more interest than the class above them need pay, simply because they have not the capital which the other men have.

6095. Their necessities in fact are greater?—Quite so; in fact, that class, except for building societies, would in all probability never get a house at all.

6096. And as it is, I understand that in your society they mainly get houses through builders?—I think so.

6097. Those builders, I suppose, make a considerable profit?—The builders latterly have complained that they have made no profit at all, but that they have sold houses at a loss; certainly latterly the cost and the value have not been synonymous.

6098. What rate of interest do the investors receive?—During the past 17 years we have appropriated regularly every year a rate of 7½ per cent., but it is payable on a sliding scale, and probably the great bulk of the investors do not receive it. You will find, by reference to the prospectus, that although we credit 7½ per cent., yet during the first year we pay 5 per cent., in the second year 5½ per cent., in the third year 6 per cent., and so on. It is not until the seventh year of the time during which the shares have been in existence that they are entitled to 7½ per cent. Of course a considerable number of members withdraw before they arrive at that age, and in that case the difference between the amount paid and the amount appropriated reverts to the society.

6099. That is at a point before the seventh year?—Yes, they will have received simply a gradually increasing amount, leaving an amount equivalent to something like 10 per cent. for one year to revert to the society.

6100. Do the advanced members at all share in the profits of the society?—No, we hold that as they take none of the risk they take none of the profit. The



Mr. H. J.  
Phillips.

12 May 1871.

investors take all the risk, whatever it may be, and they take all the profit.

6101. What are the payments per month for an ordinary share?—4s. per calendar month, 2l. 8s. 0d. per year.

6102-3. In what time is that completed?—That of course depends upon the rate of profit appropriated from time to time, but with  $7\frac{1}{2}$  per cent. appropriated in that way, it takes between 9 and 10 years. We have a considerable number of these subscribing shares withdrawn before they arrive at that age, and in that case we simply pay 5 per cent. for each year, so that a member holding an uncompleted share not more than nine years old, if he withdraws, receives an amount equivalent to 5 per cent. per annum.

6104. Are many of your subscribing shares held by one person, or are they very much divided?—I do not think that there are a large number of subscribing shares held by one person. Persons as a rule desire to complete their shares as soon as they can, because a completed shareholder has a slight advantage over an uncompleted shareholder; we pay him profit or interest half-yearly if the share is completed; and he may turn it into capital and re-invest it at 5 per cent., but an uncompleted shareholder must wait until his share is completed or withdrawn.

6105. Are many of the completed shares held by one person?—Yes, a good many have gone on subscribing in that way; their interest is to complete their shares, because they are then entitled to the full profit.

6106. What I rather wanted to ascertain was, whether it often happens that a person joining your society takes a great many shares at the commencement?—No; we have a few members who have taken one or two shares, and have then taken additional shares, but those cases are very few. When a man joins we give him a certain number on our register, and when he takes an additional share we give him a letter added to that number, and we have one member who has gone through the alphabet in that way, and in that respect he is singular, because he is say 1,000 A up to 1,000 Z; but he is about the only member in such a position, so that he is conspicuous.

6107. How many shares does he hold?—In that way he would hold 26 shares.

6108. Have you known any single instance in which a person joining your society has at once taken many shares?—Yes; we have a good many members who have taken two, three, and four shares at a time, but the great bulk are single shares.

6109. I see in the account of your receipts for last year 45,345l. 6s. 10d. from deposits?—Yes, and on the other side we have a larger sum paid out.

6110. The sum of 54,604l. 7s. 11d. has been paid to depositors?—Yes; the amount to the credit of depositors was 123,000l., but very many of those depositors are members who also have shares, and who deposit in that way for a temporary period; hence the large amount of withdrawals; the withdrawals in that year considerably exceed the receipts.

6111. Have you any limit to the amount of the sum which you receive on deposit?—No; but we practically limit it in this way—the interest ceases upon the deposit when we receive notice of withdrawal. For sums not exceeding 100l. we have a month's notice, but if the amount is beyond 100l. we make special terms, and we take care to fix the notice at a sufficiently long term to prevent a man coming in with a large amount on deposit, simply because we do not very much care about it; so that if a man comes and offers us several hundred pounds or a thousand pounds, we say, "We must have six months' notice of withdrawal for it;" and that really means six months' absence of interest.

6112. What rate of interest do you pay?—Three per cent. at the present time. Until some few months ago we paid 4 per cent., and at one time we paid 5 per cent.

6113. Then I conclude that you are now rather anxious to check deposits?—Quite so, simply because we have a large amount of money on hand. In fact,

we have for awhile stopped issuing investing shares, because just now we have more money than we can get out profitably.

6114. Do you consider it an essential part of the business of your society to take deposits?—It is a very great advantage, because when we happen to want money it enables us to take money from persons who would not take shares and become shareholders; but undoubtedly the main business of the society is in shares.

6115. Why can you obtain assistance from depositors who do not take shares?—There are a large number of persons who consider that taking shares involves a monthly payment; there are others who consider that it involves a considerable amount of risk and trouble, and they prefer to be simply creditors of the society, advancing so much money on deposit, which they may have at any time; and so far as they are concerned they are in a better position than a shareholder if they want to withdraw, because we always look upon a depositor as an outsider, and a creditor who can require his money whatever the condition of the society may be. Now, as regards a shareholder, we to some extent are protected by one of the rules, which says that if the money in hand shall be insufficient to pay withdrawals, they shall be paid in the order which the board shall direct; but we could not so put off a depositor; hence, though it is a very great advantage to have depositors, yet it is of considerable importance that the amount received from depositors should bear only a certain proportion to the capital of the shareholders. At one time we had a rather large amount in proportion, but we reduced the rate of interest, and the amount gradually dwindled down, until now as you will observe, the members' subscriptions are 650,000l., while the deposits are only 123,000l.

6116. Has any instance occurred in which the assets of the society have not been sufficient to allow of the withdrawal of a shareholder, when he wanted to do so?—Never.

6117. Then practically it does not operate to the disadvantage of the shareholders?—Not at all, but it might do so; supposing in fact that all these depositors came in for their 123,000l. at once, and that there were members who had given notice for the same amount from shares, the depositors would have to be paid first, and the shareholders must wait.

6118. On whose security are the deposits lent?—On the certificate of the directors that so much money has been deposited with the society; and we consider that the depositor has a claim upon the funds of the society to that extent, as well as upon the personal liability of the directors.

6119. Have you what are called borrowing powers certified in your rules?—Yes, in one of the rules we have a borrowing power,—it is the 24th rule. Our rules were certified in 1854, long before the right to borrow had been called in question by Mr. Tidd Pratt, and we have occasionally borrowed of bankers, but that has been upon the promissory notes of the directors.

6120. The loan from the bankers is entered in your accounts separately, is it not?—Yes.

6121. That is a temporary loan?—Yes, it would be upon a promissory note from the directors. The amount of temporary loan repaid was 9,000l. last year; it included the sum of 6,000l. borrowed in the previous year, and which was only temporary. It was borrowed at the latter end of the previous year, and was repaid in last year.

6122. Might not all the necessities of the society be met by temporary loans, instead of by taking these deposits?—That would involve a personal liability of the directors to the bankers, and, excepting for occasional and temporary purposes, the directors would not be willing to incur such a responsibility, because, when money is borrowed from the bankers, it is upon their liability that the advance is made. Then again, we cannot borrow from the bankers at 3 per cent.; they charge rather more.

6123. That is the real reason, I suppose?—That is

one reason, and a very powerful one ; but the deposit department, as I have said before, accommodates a very large number of persons, who wish temporarily to deposit money which they feel that they can withdraw at any time when they want it.

6124. Do you think that the power which you possess in the rule as to borrowing should be limited?—That is a matter which has not been discussed by the directors in any way, but personally my opinion would be that it would be advisable to limit the power to a certain extent, to something like a half or two-thirds of the capital. I think that it should be limited to a considerable extent by the amount of share-capital. I know some societies which entertain different views, and have borrowed very largely ; in fact, their deposit-capital largely exceeds their share-capital.

6125. What do you mean by share-capital?—The amount deposited from shareholders, as opposed to the amount received from depositors, many of whom may be outsiders altogether, and simple creditors of the society.

6126. But if shareholders can withdraw at any time on a certain notice, how can you take the amount of shares as being any real safeguard to depositors?—They can only withdraw according to the funds in hand.

6127. But of course more funds might be borrowed to meet withdrawals, and so on?—Yes ; hence I would fix the limit (that would be one reason), so as to protect the shareholders, and it would at the same time protect the depositors also.

6128. Is not the real security to the depositors the different kinds of property upon which money has been advanced by the society?—Yes, the funds of the society ; no doubt that is the first and main security. We should hold that the depositors were secured their 123,000*l.* by the 730,000*l.* which we have out upon houses ; we should say that they had the first charge upon that security, and that the investing shareholders had the second charge.

6129. That being so, ought not the amount of deposits received to be limited by the amount which you have out upon houses?—I think so.

6130. But that is not the limit you have spoken of?—To a certain extent it is the same as the members' subscriptions, and there is not a very large difference, the one is 630,000*l.*, and the other is 730,000*l.* ; in fact the amount upon houses is necessarily larger.

6131. Does any proportion occur to you at which the limit should be fixed?—I should think not exceeding one-half ; you might extend it beyond that, and be perfectly safe, but certainly it would be particularly safe at one-half.

6132. One-half of the amount standing out upon houses?—Not necessarily perhaps the amount out upon houses ; I should say the entire funds. In our case, we have 20,000*l.* in consols, that is as good as being out upon houses ; we have 57,000*l.* at the bankers, and that is as good as being out upon houses ; so that our 123,000*l.* is really a proportion not of 730,000*l.*, but of 900,000*l.*, the total assets.

6133. How is it that you possess the sum of 20,000*l.* in consols?—Simply because we have not had property offered us of sufficient amount to induce us, in the present state of things, to lend so freely as we did in years gone by. We know that the house-market latterly has been deluged with houses, and many of them are not readily taken, and therefore we say, "We must be rather more cautious than we have been," and we prefer to keep the money in hand and invest it in consols, rather than run the risk of lending it out upon houses which will not sell.

6134. Then that is rather in the nature of money waiting for investment than of a reserve fund?—Yes ; it is only a temporary investment ; it was hardly considered to be a legitimate investment, but it was the best thing which we could do.

6135. That also applies to your large balance at the bankers?—Yes ; that is only a temporary thing,

simply because the money has come in so freely, and now we have done what we could to stop it by refusing to issue shares for a while, very much to the disappointment of a large number of our members. There was so much difference of opinion with regard to the investment of the 20,000*l.* in consols that the board had I do not know how many meetings, and discussed the matter very freely.

6136. Do the bankers pay you interest upon your 57,000*l.* balance with them?—Yes, they pay us 2 per cent. upon the minimum monthly balance. We have not the whole of it at one bank, and at some other banks we have simply a deposit account, some of our directors preferring that the money should be spread about between two or three banks, rather than having it all in one.

6137. I see in your prospectus another branch of your business under the head of "Land Department"?—Yes ; we started as a land and building society in 1854, and in 1855 we bought an estate at Stratford, comprising 10 acres. We allotted it out into 227 plots, and before very long the great bulk of it was disposed of, and we have now simply a few plots left on hand. That is the only estate which we ever had to do with. We found that the advancing upon houses paid us better than the purchasing of estates, so that although we still retain the name of a land society, we do nothing in it.

6138. How do you mean that it pays you better to advance upon houses?—We could not get members to take to the plots sufficiently readily, and we found that we could get a higher rate of interest upon houses, because we simply charged 5 per cent. upon the unpaid balances in respect of the land, while we get 5 per cent. and a premium in respect of the advances upon houses ; hence we found it more profitable to direct our attention to the advances on houses. Still we lost nothing by that estate ; it cleared its expenses, and probably produced a small profit.

6139. Was there also any feeling among your directors or the society, that land business was rather of a speculative character?—No ; they did not at that time consider that it was so, and I do not know that they consider it so now ; although in some cases long prices were paid by societies actually bidding against each other in the market for the same estate. I think that the notion now is somewhat exploded that there is an unlimited demand for small plots of land. At one time it was considered there was a strong desire to get a plot of land in order to obtain a vote, and we went to considerable expense in getting allottees on the register for South Essex ; and although we did not attempt to control those persons, it was supposed that a large number of them would vote for the Liberal party, though some of them were what I may call violent Tories ; however, that was nothing to us, they voted as they pleased. On the second occasion provision was made to carry them to the poll, and not half of them would go. Upon another occasion, I spent two hours before the revising barrister in getting a person put upon the register, and he never voted, so that we gave it up.

6140. Then the land business was originally undertaken with a political view?—Not by us. There is no doubt that the National Freehold Land Society was started as a political association, but we did not look upon it in that light, because some of our directors were Liberals and some were Conservatives.

6141. Did you find at all that the possession of a freehold plot of land changed the view of the owner?—I am certainly inclined to think that the more land or the more property a man gets, the more conservative he becomes. We find that those persons who have got houses, whether by the monthly payments or otherwise, do not approve of processions in the streets and parks, and so on ; they become very quiet, and as we may say, good citizens.

6142. I see that in the name of your society the word "Temperance" is prominent. What is the peculiarity of the society in that respect?—That is really the distinctive feature of the society. You will

*Mr. H. J. Phillips.*

12 May 1871.



*Mr. H. J.  
Phillips.*

observe that by one of the rules every director, before being elected, must sign a declaration that he has been and will remain a total abstainer from intoxicating liquors. We have some 16 directors; I do not know what the ordinary average age may be, but some four or five years ago we found that the average age of the directors as abstainers was  $23\frac{1}{2}$  years. It would now probably be increased by the addition of four or five years. We also require all the officers of the association to be abstainers; but excepting that, there is nothing laid on the members at all. We have all classes of members; we have beer-shop keepers and publicans who are members.

6143. Do the directors advance money upon public-house property?—No. In fact we have a clause in the mortgage deed which provides that in the event of the premises being used either for the sale or the manufacture for sale of intoxicating liquors, all the powers of the mortgage shall come into operation, and the board may avail themselves of those powers to close the place. It arose in this way: at one time we were not quite so rabid, as I may say, in this respect as we are now. We had a property in the country which fell into our hands, and when we came to sell it, we found that one of the houses was called the "British" tavern, and we actually, in the interest of the mortgagor of that house (being of rather more value than the others), had to advertise it for sale as by the Temperance Building Society, referring to the secretary and the solicitor for particulars. That brought the question so prominently before the board that they said, "We must have no more taverns." Then that clause was put into the mortgage deed, and for a long time we have not lent upon taverns; we confine our attention mainly to private houses and shops.

6144. How are the charges of the survey and of the solicitor paid in your society?—The survey fees are paid by the applicant, at the time when he makes the application, and the amount is regulated by the sum for which he applies. For a sum not exceeding 500*l.* the survey fee is one guinea; if the property happens to be beyond five miles, the applicant has to lodge a sum in addition to the fee, to pay the expenses for the 100 or 200 miles, as the case may be. If the property is within 200 miles, and if the advance is made, those travelling expenses are borne by the society, so as to put the country member upon the same footing as the London member; but if it is beyond 200 miles, we say that the member must pay them wholly himself. Then the law expenses are also regulated by the amount advanced; and you will find the scale on the eighth and ninth pages of the prospectus. For a mortgage not exceeding 200*l.* the charge is three guineas; if it exceeds 200*l.* and does not exceed 750*l.*, the charge is four and a half guineas; exceeding 750*l.*, and not exceeding 1,500*l.*, it is six guineas; and beyond 1,500*l.*, there is one guinea additional for each 1,000*l.* or fraction of 1,000*l.*

6145. I suppose that from your experience you do not think it necessary that building societies should have power to undertake the land business?—I have not directed my attention to that point. I do not see why they should be limited, because after all the land must be considered as good a security as the house, but I think that as a matter of profit at the present time, and probably for some time to come, there will not be a sufficient demand for small plots of land to induce the societies to do much in that direction.

6146. Is not the purchase of land a much more speculative business than the purchase of a house?—Probably so, but I have not had much experience in that respect, because we have only had one estate, to which I have alluded. We have not directed our attention to the purchasing of land.

6147. Is there not a considerable difference between a society purchasing an estate and dividing it between its members, and members purchasing for themselves from money advanced by the society?—I think that the advantage would be in favour of the latter, because a man is hardly likely to purchase a house in

a locality which he does not think suitable. In years gone by the societies actually bid against each other for the same estate, and ran up the price very seriously. Then, when they plotted it out, they did so at a price rather above its value than otherwise; hence I know that many of the societies had plots of land remaining on their hands for a long time; but it need not be so.

6148. Are you acquainted with any societies which have failed owing to that kind of business?—I cannot say that I am.

6149. Have you had anything to do with any other land or building societies excepting this one?—No; I have only been connected with this one in an official position. I and one or two others were the founders of it. I have shares in one or two other societies.

6150. What is your view as to the present state of the law relating to building societies; are you anxious to see any alteration in it?—As a member of the committee of the Building Societies' Protection Association I have had occasion to discuss the state of the law, and it certainly seems to me that it is desirable that the clauses of the various Acts under which we now proceed should be put into one Act, and that advantage should be taken of the opportunity to settle matters in a satisfactory way. There are so many doubts arising now as to the privileges, &c. of building societies that I am inclined to think that it operates to their prejudice. I find a general ignorance of the Acts of Parliament under which the building societies proceed. Some few years ago I had occasion to be before one of the county court judges, Mr. Pitt Taylor, at Camberwell, and I thought that he was going to commit me to prison, for I directed his attention to certain sections of the Act of Parliament of the 10th George the Fourth, and he said, "You must not direct my attention to 'this, sir, this is a repealed Act,' and he would not believe but what that was the case, because it was repealed by an Act of Victoria so far as pure friendly societies were concerned; but its clauses were not repealed so far as building societies were concerned. I find a general ignorance in that respect even among lawyers, simply because we cannot point to a particular Act and say, 'That is the Act under which we are,' other than the Act of the 6th and 7th William the Fourth, which practically incorporates the clauses in the other Acts. Questions are often arising whether we are entitled to all that we claim under such and such clauses."

6151. Generally speaking, do you agree with the proposals of the bill which was introduced into the House of Commons last session?—Quite so, except that they suggested no limit as regards the borrowing powers for deposits. I think that I was at variance with some of them upon that point, as I rather preferred to have a limit.

6152. Is there any other point upon which you wish to make any remark?—No, I think not. I have some figures here with reference to our own society in particular. The amount of investments withdrawn by members not continuing was 336,000*l.*; that was during the whole time; they were members who had either temporarily invested, or were not able to continue their investments. Many of them were with interest, and others without interest. As showing the large number of transactions by members paying in and paying out at intervals, I find the number of withdrawals acted upon from the commencement until the present time is 17,055. Of course many of those notices must have been given at various times by the same members, because the total number of members has been 22,000 odd, and the number now comprising the society is 10,000 odd. Then we have actually paid as profit to members 192,000*l.*

6153. What is the item in your accounts under the head of "Disbursements," "Commission to members' agents, 1,184*l.* 0*s.* 4*d.*?"—You will find, in rule 7, that provision is made for members in the country appointing one of their number to act as their agent for the receipt of money. In that way, so far as country members are concerned, we are saved a considerable

amount of trouble in receiving separate sums, and acknowledging them; the members in the locality appoint one of their number as their agent, and he remits every month the total of the sums received from them. In that way we have the trouble of only one set of receipts, instead of a number, and for that we pay a commission. We have also a travelling agent, Mr. Hunter of Huntingdon, and a considerable part of that sum is for the portion of the business which he does. We have no responsibility so far as the members' agent is concerned, that is provided for by that very rule.

6154. Are the members' agents the officials of the society?—No. We do not incur any responsibility at all so far as they are concerned. The latter clause of the seventh rule says, "But the society shall not be responsible for any act or default on the part of any such agent." So that if he receives the money and fails to remit, we are not responsible, we suffer no losses in that respect, because he is not our agent. I have not heard, I must say, of any default on the part of any agent, excepting in one case which occurred many years ago, and in which the agent was prosecuted and convicted for forgery; that is the only case where we have had, or have heard of, any criminal proceedings.

6155. Would not the members naturally select some one of the officials of the society as a person who could most easily pay their subscriptions, and receive their money?—They must select some member in their locality, one in fact of themselves, because there are no officials of the society there.

6156. You mean in the locality in which they reside?—Yes. To proceed with the figures which I have, the number of the houses upon which we have advanced is as nearly as possible 7,000.

6157. I see the item of 2,358*l.* 4*s.* 10*d.* under the head of "salaries;"—to whom are the salaries paid?—To myself and to the clerks. Of course our business is of a gigantic character. We are obliged to employ a large number of clerks to perform the work. We have 17 clerks, and many of them, I apprehend, consider that that item is not large enough. At all events, taking the sum and dividing it in that way, it does not give a very large amount to each.

6158. What is the item at the end of the "liabilities," namely, "reserve fund" (for return of proportion of premiums on redemption and other contingencies), 61,746*l.* 18*s.* 8*d.*?—That is a sum reserved as a liability to meet the case of members redeeming before the time has expired for them to pay the whole premium. The sum from premiums, you will observe, on the assets side is 68,000*l.* odd. That consists to a certain extent of the premium for the term for which the advance has been taken, but which has not yet run out, and therefore we take a considerable proportion of the reserve fund for that purpose. Supposing that a member redeemed at once, a certain proportion of that premium would be returnable; and hence we keep that reserve fund at a considerable figure, in order to provide for that, as well as for losses upon properties which we may have to sell, and find that they do not realise quite sufficient to meet our claim. We were once asked by a member at the annual meeting whether we had that sum in gold in the strong room. He seemed to think that unless it was actually in gold in the strong room it was not a sufficient reserve fund, forgetting the loss of interest upon it.

6159. (Mr. Bonham-Carter.) With regard to the last question, I presume that that arises from the reserving of the interest, which, you say, although it accrues up to  $\frac{7}{8}$  per cent., is not paid until a certain period?—No. That amount, you will see, is separately debited as a liability and amounts to 60,900*l.* As to the premium, if a member takes an advance of 100*l.* for 10 years, with a premium of 10*l.*, we take his security for 110*l.*, the 10*l.* being for the premium. If he redeemed in the second year he would have 8*l.* of premium returned to him, and in the third year 8*l.*, and therefore we keep our reserve fund to a sufficient amount, supposing that all the members came

in and repaid their advances, which of course is an impossibility, or at all events an improbability.

6160. I understand your investors are credited with 5 per cent. in the first year, and  $5\frac{1}{2}$  in the second?—They are credited with  $\frac{7}{8}$  per cent.

6961. They are paid  $5\frac{1}{8}$ ,  $5\frac{1}{8}$ , 6,  $6\frac{1}{8}$ , 7, and  $\frac{7}{8}$  per cent. in successive years?—Yes.

6062. They are credited with  $\frac{7}{8}$  per cent., and therefore the difference is supposed to accumulate to their credit?—Yes; but if they withdraw before the share is old enough, that sum reverts to the society. The 60,900*l.* is composed to a considerable extent probably of those accumulations, which may become payable or may not.

6163. I see that you have "rent of cottages;" are those cottages which you have been obliged to take in consequence of the failure of the mortgagor?—In one or two cases they are, but others were houses which we erected some years ago upon our estate at Stratford, and some of them remain, and have not been sold. We have not pressed the sale of them, simply because we have not wanted money, and therefore we have let them, and received the rent, and hence we have to put it down in our balance sheet as so much rent received from these houses; but they are open for sale.

6164. In that particular instance you did build?—Yes, in that particular instance we did build upon that estate.

6165. Do you know what the cost of the buildings per tenement was?—We allotted them at the actual cost price. In several instances they were 235*l.*, and in others they were 250*l.*

6166. What class of house did you build for 235*l.*?—They were semi-detached cottages, occupying a frontage each of 13 feet 6 inches, and having about 3 feet 6 inches of land at the side, making the frontage of the land 17 feet. That was about the average width of the plots upon the estate. The houses at 250*l.* were as nearly as possible the same, with the exception that they had one room more, over the kitchen. The 235*l.* houses consisted of two rooms, a kitchen, a washhouse, and two bedrooms above, just enough for one family; but the others contained an additional room, they had two rooms, a washhouse, a kitchen, and three bedrooms above.

6167. Did you find any difference in the rate at which the houses went off?—Yes, we found that the 250*l.* houses were preferred.

6168. With three bedrooms?—Yes.

6169. What class of persons occupied the 250*l.* houses?—I think, if I remember rightly, they were mainly mechanics. There were two who were clerks, one of whom was clerk to a printer, but I think that the bulk of them were mechanics; I know that two were engine-drivers on the Great Eastern Railway.

6170. Have the buildings on which you have advanced been generally in a definite district?—No, we have gone all round London,—in fact I know scarcely any neighbourhood round about the City, where we have not houses.

6171. Suburban houses?—Yes, mainly so.

6172. What margin of suburb do you think they principally occupy?—I should think the south of London; I should think that we have advanced more in the south of London than in the east or north.

6173. Two or three miles from Charing Cross, or further?—Yes, about Peckham and Camberwell, and Walworth and Brixton, and round about those localities, the great bulk of the money has been advanced.

6174. The great majority of those houses being, in the first instance, erected by builders?—Yes, I think so. I have not gone through the books to see what the actual numbers are, but I should say that a great number of them have been erected by builders, and then sold to the classes who have bought, and who then occupy.

6175. But you think there is a check upon the demand at the present time?—A very considerable check. Many houses now remain unoccupied which

Mr H. J.  
Phillips.  
12 May 1871.



Mr. H. J.  
Phillips.

12 May 1871.

a few years ago would have readily let; but things are improving, because so far as our empty houses are concerned, we have during the last quarter let more than we did in the six months previously; so that I think things are improving.

6176. When you say "our own houses," what houses do you refer to?—I mean the houses which have come into our possession through the default of members, and which therefore we have to do our best to let and make productive.

6177. What is the proportion, or what is the number of those houses?—I have not got that out; they must be probably 200 or 300, taking all the suburbs. There are many that we do not care about selling at the present time, simply because we know that we shall not get as much for them as we shall get a year or two hence; and it is in the interest of the mortgagor as well as our own, that we should get as high a price as we can.

6178. I see that you enter in your assets, "houses at Stratford, &c.," and "Stratford estate account;" but I do not see in the assets any valuation of these houses which you have in hand?—No; they would form part of the 730,000*l.*, because the amount upon them is still secured by deeds of mortgage, although the houses for the time may be in the possession of the society.

6179. But have you not foreclosed?—No; we do not foreclose, as in the case of a private mortgagee. We are simply trustees for the individual borrower, and therefore, whatever we do, if we ultimately obtain a surplus, we have to hand it over to him; he is entitled to it.

6180. Then you never foreclose?—Never. We have nothing (so to speak) to make out of a property which comes into our possession. All that we can do is to debit the actual expenses connected with it, and credit the amount received. If the property produces enough to pay our claim, and perhaps a little more, we pay our claim, and hand over the surplus to the member.

6181. When you have a property thrown upon your hands in the way in which you seem to have these 300 houses, you ultimately make a sale, and you only hold as the representative of the mortgagor?—Quite so. He may, in fact, redeem at any time, whether we have offered it for sale or not, if we have not actually sold it. We have some cases of that kind, where we have offered it for sale, and it has not realised a sufficient price, and he has raised funds and has redeemed it altogether.

6182. In whom is the property of the houses which you hold vested?—In the trustees. The mortgage is taken in the names of the trustees as trustees for the society, and they are trustees for the individual as well.

6183. In the case where you bought the land and built the houses, in whom are they vested?—The land at that time was bought in the names of three of the directors. The society, of course, took no responsibility, and I remember that at one time it was contended that as the land was bought in the names of the three directors, and as really the legal estate was in them, there was no security to the society; but we covered that by obtaining from them a deed of trust, stating that they held it in trust for the society. That was the way in which it was got over. So that, even now, the plots which have not actually been disposed of will have to be conveyed to the purchasers by those three directors. It is, I believe, now very much more easy to manage it.

6184. You said that your borrowers borrowed at 6 per cent.?—That is about the present rate.

6185. And you say that it answers their purpose to borrow at 6 per cent. What do you consider to be the governing profit which is expected by the builder? what would he expect to get if he built a house of that class, and let it?—I do not know. As a rule, builders do not take that view, simply because they do not build to keep—they build to sell. I think that you may fairly say that a house-owner ought to realise some-

thing like 7 per cent. from his house-property if he buys it at the ordinary price. It is true that there are some houses which do not pay that per-centage. Of course that is regulated by the class of house, because the higher you go in value the less is the rate of interest which you can fairly expect. A small class of house will necessarily pay more than a large.

6186. What margin of profit do you consider that a man who buys a house through you is saving, between the 6 per cent and that which could be got otherwise?—I should say that at our present rate it may be 1, and possibly 2 per cent.

6187. That is the advantage which a person purchasing his house through you gets?—Yes, with the addition that he is capitalizing his rent, besides this 1 or 2 per cent. profit, whereas in the other case he is paying away his rent altogether; and in that way our members have obtained houses which they never would have done otherwise. I have obtained a house in that way which I have had for 17 years, and I have only lost one quarter's rent out of it.

6188. That is to say, that a man in fact makes his house a savings bank?—Quite so, and in that way he is materially helped by the exemptions under the Building Societies' Act, because so far as the ordinary transactions are concerned we pay nothing for stamps.

6189. In the case of depositors, do you give a stamped receipt to a depositor?—No, we give no stamped receipts; we do not use stamps. We contend that under the Building Societies' Act we are altogether exempt from stamps; and there is no doubt that it has tended essentially to the benefit of the society, because it has materially multiplied transactions, and has produced transactions which would not otherwise have been undertaken; the cost would have been too great. And, as it appears to me, there is no loss to the State, because every mortgage, or nearly so, involves a lease and an assignment, upon both of which there is a stamp.

6190. I understand you to mean by that, that the loss occasioned to the State by the remission of the stamp duty upon the earlier transactions is recouped to the State by the larger ultimate transaction in the way of mortgage?—No; I think it is the reverse of that. The loss which the State suffers by the exemptions, so far as the stamps on receipts are concerned, is compensated by the additional number of the transactions which involve stamps of a very much higher amount, namely, stamps upon the leases and stamps upon the assignments. In many of those cases a man says, "What will it cost me?" The reply is, "It will cost you so much for your mortgage, so much for your survey fee, and so much for the assignment." But if he has to add a number of other things, such as stamps on the mortgage, he says, "It will not pay me; I cannot do it."

6191. The earlier transactions which he has with the society, being entirely free from stamps, promote the business, which business ultimately brings in a repayment to the Government by stamps on a larger transaction?—Unquestionably so.

6192. Do you think that this exemption, as separate from the actual money benefit or the apparent advantage, is much appreciated?—I have no doubt that it is, because it enables the society to do an amount of business which otherwise it could not possibly do.

6193. Do you think that an investment of capital of something like 1,000,000*l.*, could originally have claimed such an exemption? You have been satisfied as to the practical working, but *a priori*, I presume, the only ground upon which the exemption was given was, that it should facilitate the obtaining of houses by single shares at a very low cost by workmen?—No doubt. It cannot be denied that building societies now do, and have done for years, a class of business which, I apprehend, was never contemplated when the Building Societies' Act was passed. But I hold that it has been beneficial in its results, viewed from a State point of view, simply by multiplying transactions.

6194. You mean in a pecuniary point of view?—

Yes; and necessarily it must be so in the other point of view, because we have enabled a large number of persons to obtain their own houses, and to get an interest in property, who otherwise never would have thought of it.

6195. In respect of your deposits you are, in fact, bankers and little else?—Yes, with this exception, that the deposit is not withdrawable as the money in a bank is, upon a moment's notice by cheque. We require upon sums not exceeding 100*l.* a month's notice, although we may not always act upon it.

6196. You do that part of the business which bankers now do to a very great extent, namely, holding money under short notice—a month's notice?—Yes, a month's notice; but the bankers hold it upon seven days' notice, and if you like to sacrifice a few days' interest they will pay it to you without any notice. We always want a notice, it may be a few days' notice, or it may be a fortnight, but we never have required a depositor to wait because we have not had the money.

6197. As far as regards your deposit banking you are exempt from certain stamps, which bankers or their customers have to pay?—That, I apprehend, would be a simple penny stamp on the acknowledgment.

6198. On the cheque or the receipt?—There is a considerable distinction to be drawn between the amount payable on demand and the amount payable on a month's notice, and I certainly should be inclined to think that if we repaid money on demand there should be a stamp on the cheque, because that is purely banking business. I hold that that is not purely building societies business.

6199. (*Chairman.*) What is your view as to a proposal which has been made, to lay down a kind of balance-sheet or system of accounts, which it should be incumbent on all building societies to furnish to their members?—I have not heard that that has been so laid down or suggested, but I apprehend that there can be no objection to it. We in fact have always courted publicity with reference to our accounts and balance sheet. We have always annually circulated our balance sheet amongst our own members, and then with the report of the annual meeting, which is published afterwards, and this we circulate to the public as freely as they choose to take it. We hold that we can lose nothing by it, but will rather gain. As to the form, that is a matter for consideration. It might perhaps be drawn out in a mode which might be misleading. We have always adhered to one form, and we think that it supplies the useful information, namely receipts and disbursements, and assets and liabilities.

6200. You are not of opinion that it would be in any way impossible to lay down a form which should be applicable to building societies generally?—I apprehend that the same form would not be available for terminating as for permanent societies, because there is a considerable difference between them. We, who are permanent societies, deal with the actual sum in hand, whereas the terminating societies deal with the sum which you may say is to be anticipated, and then comes the question of discount. We get rid of all that by simply dealing with the sum in hand and its interest, the interest being 5 per cent. upon the balance, so that there would undoubtedly have to be a difference in the form for a terminating society, as opposed to a permanent society.

6201. Among the general features of your society named at the end of your prospectus I see this, "no postage or incidental fees." What does that refer to?—Many societies make a charge to their borrowers which they call quarterage, of so much per quarter, to cover or to go towards postage and other incidental expenses. We think that is objectionable, and we pay those expenses out of the general profits of the society, and show them in the balance sheet. In many societies they make this charge, and they debit themselves with having received so much, and they

credit themselves with the amount which they have paid.

6202. What is a postage fee?—Many societies charge so much per quarter. I have some shares in a terminating society, where they charge 1*s.* a quarter for postage fee, that is for the expense of posting the various notices to the members. We simply do that out of the general funds, and look upon it as an advantage.

6203. Referring to the report of your last general meeting, I see that it was stated by one of the members that a large portion of the fines come out of the pockets of speculative builders. Is that the case?—Perhaps it is rather difficult to define what is a speculative builder, although it is an expression which we often use, because any man who builds houses and sells them is a speculative builder. But a large class speculate with nothing to speculate with; they get a little credit, and they put up houses, and get money from a building society, which they do not repay, and they leave the society to do the best they can. There is no doubt that a large portion of our fines comes from that class, and many builders who have built houses, and who have not been able immediately to sell, have got into arrears with their payments. There is no question that the bulk of the members who buy for their own occupation do not pay very much of that item of fines.

6204. Then another member, at the same meeting, wished to have an independent actuarial opinion upon the state of the society?—He evidently had misunderstood the principles upon which we were working, because it is not an actuary's question at all. It is a question for an actuary, where, as I have before said, the amount is anticipated as to what is the value of the share, and supposing a man goes on paying for so many years, you have to debit yourselves by discounting the anticipated portion; but here no question of that kind arises. We simply deal with the sum which we have in hand, and we credit the members with the interest out of the profit which we have actually made, upon which there is no question at all. There is no doubt that the member to whom the question put to me refers, was under the impression that it was a terminating society.

6205. Still I suppose that the calculation of payments and repayments upon shares and advances is rather an actuarial question, is it not?—No, not in the way in which we set it out, because if a man takes an advance of 100*l.*, and for the 10 years for which perhaps he holds it the premium is 10*l.*, he gives us a security for 110*l.* We calculate what the interest would be at 5 per cent., supposing he paid off annually an equal proportion; we add that to the 110*l.*, and then we divide that total sum by the number of months in which he has to pay it; but in our books we debit him with 5 per cent. interest for the first year and the first year's premium. Then we credit him with what he has paid, and if he has paid it (which he will have done if he has gone on regularly), the balance goes off his principal. We deal in the next year with the actual balance, and if he only pays the monthly amount which we say is requisite, he works out the advance exactly in that time.

6206. Is not the very point the monthly payment which you say is requisite?—That is determinable by anyone. If you take the table on page 10 of the prospectus you will see at once how it is calculated. We will say that the advance is 100*l.*, and that the premium is 10*l.*, the total amount being 110*l.*, then the question is, what would be the interest upon the 110*l.* for the first year, and the like interest upon the balance for the next year, and then you work it out; it requires no actuary to do that. In fact, some of our members have said that the payment is not quite correct, and we know that it is not so in some cases, that is to say, to the fraction of a penny. I calculated the table very fully when we started, and of course was obliged to disregard fractions of a penny, because we did not want to take halfpennies, and therefore some of these amounts are not mathemati-

Mr. H. J.  
Phillips.

12 May 1871.



Mr. H. J.  
Phillips.

12 May 1871.

cally correct ; for instance, the payment in one case is 1*l.* 6*s.* 10*d.*, and it may be strictly 1*l.* 6*s.* 10½*d.*, but that does not matter, because when a member comes to the last year he has not so many payments to make, and if he has paid more than the precise amount in the previous year it is reduced in the subsequent year, so that it comes to the same thing. It may turn out that a man, instead of having to make 120 of these specified payments, has only to make 119 and a fraction.

6207. Referring to another question which was asked at the meeting, does your society advance money to other societies, they lodging their own deeds?—We have been solicited to do so, but we have always considered that it would be a breach of trust. We

The witness withdrew.

Mr. WILLIAM ASCROFT examined.

Mr. W. Ascroft.

12 May 1871.

6209. (*Chairman.*) I think that you have been solicitor to a good many building societies at Oldham?—I have.

6210. Have those societies been terminating or permanent societies?—Terminating societies.

6211. Are there any permanent societies in Oldham?—There is one which has been established lately, but they are generally of a terminating character.

6212. How many terminating societies have you been connected with?—About 30.

6213. How many of those are still in existence?—It is difficult to say that, because they have been given up, and another has been established at the same house. According to a list drawn up by Mr. Whitaker, secretary to several of the Oldham societies, there are in Oldham now 66 terminating building societies, which may be taken to average 100 shares each, at 120*l.* per share.

6214. For how many societies are you now solicitor?—22.

6215. What has been the general number of members in each of these societies?—I should think from 50 to 150 members, and the number of shares something like 100 to 300.

6216. Has no society, out of the 30, exceeded that number of shares and members?—I will not say that; there may have been one or two cases where it has been exceeded, but very few.

6217. Have all these societies been conducted on the same principle?—Yes.

6218. Has the amount of the shares been similar in each society?—Nearly in all cases; perhaps in two or three cases they may have been 100*l.* shares, but generally speaking, they are 120*l.* shares.

6219. How have advances been made?—A share is put up to be sold by ticket, for which a bonus is given; that bonus will very often run at the commencement of the society about 10*l.*; as the society goes on, the bonus as a matter of course is reduced.

6220. Has it ever exceeded 10*l.*?—Yes, it has been perhaps 12*l.* or 13*l.*, but it has very seldom exceeded 10*l.*

6221. What has been the rate of interest payable for the advance?—5 per cent. in all cases; 10*s.* per share per month is paid on account of the subscription, and 5 per cent. is paid on the amount of money borrowed.

6222. 10*s.* per share per month is the payment for the investing members?—For the investing members or purchasing members it is the same, and the interest is 5 per cent. upon the money borrowed, reducible every 12 months.

6223. In what way is it reduced?—At the end of 12 months the account will be balanced up, showing what the party owes, and he then goes on paying 5 per cent. on that money,—the interest is 5 per cent. upon the balance, calculated annually. There are some of the societies who charge interest during the whole of the time, so long as any money is owing, whilst in some clubs they reduce every six months.

6224. But in your society you only reduce every

consider that the deeds deposited with the society are deposited with the society as trustees, that we are trustees for the individual as well as for the whole body, and therefore that trustees have no right to hand over those deeds to anybody else.

6208. Within your knowledge, have building societies ever taken up that kind of business?—I do not think that it has been done to any extent. I have only heard of a society doing it now and then, and I judge that it has been done in other cases by the number of applications which I have had, but it has always been in a friendly and underhand way, you may say, as if it was not a recognised thing. We have always set our faces against it, believing it not to be right.

year?—It is generally every year; there may be some odd cases where the reduction is every six months.

6225. And therefore the interest is paid during the year upon the repayments which are made during that year?—Certainly that would be so; you would have to have a calculation every month if it was not so.

6226. So that really it amounts to a little more than 5 per cent.?—Yes, a little more.

6227. What is the term of years in each of these societies?—They generally run about 14 years, between 13 and 14 years.

6228. Are the advances repaid in that term?—Yes.

6229. In what sums are the advances generally made? What is the amount of an ordinary advance?—That depends upon the number of shares which a party has. Many of the members will have two shares, and many members will have one share, some will run up to three or four shares, but not very often that.

6230. Is it ever the case that one person holds more than four or five shares?—I have known cases of that sort, but not often.

6231. What is the greatest number of shares which you have known to be held by one person?—Something like eight shares.

6232. What sort of a person has that been, in what profession or occupation?—He has not been a working man, he may have been a small cotton spinner.

6233. Has he taken those shares with a view to obtaining an advance upon his cotton mill?—No doubt, at some time or other; but that is a very exceptional case. The shares are generally held by the operative class, or by small shopkeepers.

6234. Have any persons in the building business taken advances in any of your building societies?—Not to any amount; they are not societies of that kind. Those societies are more in Manchester, where parties who are connected with the building trade do it as a speculation, but nothing of that kind is done with us in Oldham; in fact they would not generally approve of it in Oldham. That is a risky sort of business, and the societies in Oldham are generally very safe.

6235. Then your members generally hold one or two shares each, and obtain advances upon those shares?—Yes, they obtain advances upon those shares for the purpose of building one or two houses for themselves.

6236. But in what class or position are the members?—They are in the cotton mills and in the machine works. Mr. Platt's works are very extensive works with us. Many of the hands at those works have shares.

6237. What rate of wages do such of the factory operatives as are members of your society earn?—Managers get 2*l.* or 2*l.* 10*s.* a week, and the spinners will get 30*s.* per week, and the mechanics will get 30*s.* per week; if they are managers or foremen of different departments they may get 3*l.* or 4*l.* a week.

6238. Are many persons who are earning less than 30*s.* a week members of your society?—Yes, I should say that some of them do not earn more than 1*l.* a week.

6239. They are not only investing members, but members who obtain advances?—Certainly, that is their object, and they will take land for perhaps two houses.

6240. Is it the rule that every investing member joins the society with the view of obtaining an advance?—With the operative class I should say that it is so, generally speaking. There may be some cases in which parties perhaps prefer it as an investment, because it makes them something like 5 per cent.

6241. What is your rate of fines for non-payment of the advances?—The fines are so much for one share, and so forth. I can send you up those particulars along with a set of rules. If I had been aware that it would be necessary, I would have brought all these documents with me. Being in London, I was written up to say that if I could attend the Commissioners I might be able to give them information upon the subject of their inquiry. The rules are based upon as equitable a principle between the borrowers and the building clubs as they possibly can be. For instance, we have inserted a provision that in case of depression, or if a man has an accident, the trustees shall have power to suspend the payment of his subscriptions, without any fines or anything of that kind. Many years ago I found that if a man had an accident, having his leg broken for instance, he was obliged to sell out, and I got a rule inserted providing for that, which has been frequently acted on.

6242. Has it been beneficial?—Yes; in case of a stoppage of work, or until a man got better of an accident, he has been able to keep in the society.

6243. What did you do during the time of the cotton famine?—Many of the subscriptions were suspended.

6244. Where are the meetings of these societies held?—Generally at the inns, which they like in Oldham better than having the meetings held in other places. We had one at the Temperance Hall in Oldham, and we tried to establish another, but it would not take.

6245. How often are the meetings held?—Every four weeks.

6246. Are the societies founded or promoted by the landlords of the inns?—The landlord is very often a great assistance in getting members.

6247. When a meeting is held, is any payment made by the members for refreshments, or anything of that kind?—Yes, 3d. each member.

6248. Is that the invariable rule in your societies?—Invariably, and that money is spent in the house. The committee have part of it, and the members have the remainder among themselves.

6249. And when they have spent that amount, do they spend anything besides on their private account?—They are not bound to do so, unless they think proper.

6250. But as a rule do they think proper?—I should think not as a rule; the members in Oldham are remarkably steady men; they will take their glass, but there are no intemperate habits, or anything of that kind; in fact, I do not think that they would be members if they had such habits, and the chairman of the meeting would not permit anything of that description to take place.

6251. Is that 3d. paid by every member of the society, or only by those who attend the meeting?—By every member of the society; if one party took two or three subscriptions for different parties the 3d. would have to be paid for each.

6252. Then the 3d. is an additional payment?—Yes, it is 3d. per member, and not per share. A member may have four shares, and yet would only have to pay 3d. If a man had only one share, he would have to pay the same.

6253. How many members ordinarily attend the monthly meetings?—I should think that three-fourths generally attend; the working classes generally take an interest in attending the meeting for conversation, and to see what is going on.

6254. I suppose that the members of each of these

societies are generally persons who know something of one another beforehand?—Yes.

6255. They have been in the habit of meeting at the same public-house?—They may have had shares in some other club. If a man has had shares in one club which has terminated, he will enter another and go on again, so they soon become acquainted with each other.

6256. How are the solicitors' charges paid in these societies?—2l. 5s. is paid for a mortgage.

6257. Irrespective of the amount?—Irrespective of the amount, except when it comes above 500l., and then the duty has to be paid upon it.

6258. Then in none of these societies is there any fixed salary for the solicitor?—None.

6259. But he receives pay according to the business done?—Yes.

6260. Are advances made by any of the societies on premises out of Oldham?—Yes, if the party is a member. The society would object to lend on property in Manchester; if a party was to come from Manchester, and wanted to take up a number of shares, they would not countenance it; they do not approve of Manchester property; they may have been let in two or three times, but not very often.

6261. Are there many non-resident members of these societies?—Not many.

6262. Are there many cases in which advances have been made away from Oldham?—Very few.

6263. That, I suppose, would not be encouraged?—No; but in fact I do not remember a single case in any of the clubs with which I have been connected, where there has been a loss by any property.

6264. Have you felt any difficulty, in connexion with any of your societies, from the fact that it is difficult to put the money out after the expiration of a certain number of years?—Yes, that is generally so, when a club is near its termination.

6265. How do you meet that difficulty?—Frequently clubs which have two or three years to run may have 1,000l. in the bank, for which they receive very little interest. Another club which has run a short time applies to borrow that money from them, upon a note from the trustees and a memorandum of deposit.

6266. Then one society which is near its termination will advance to another society which has just been founded upon the security of the trustees?—And upon the security of the deeds.

6267. Of what deeds?—Upon the security of the deeds on which the second society has advanced.

6268. What means has the first society of knowing that those advances have been properly made?—There are the deeds themselves, and you have the promissory note of the trustees.

6269. But the property upon which the advances have been made may be such that it ought not to be taken?—Then the parties lending the money would know that.

6270. The first society?—Yes.

6271. How would they be able to check it?—When money is advanced, trustees are appointed to inspect that property, so as to be satisfied of its value. Upon that being done, a note is given to the secretary that they are satisfied with the security; the mortgage is then prepared, and executed by the party borrowing the money.

6272. So that the trustees of the society are satisfied with the nature of the security?—They are, and as such they give their promissory notes to the other society for the money, for perhaps one, two, or three years.

6273. Then the real security to the first society is the promissory note of the trustees?—Yes, along with the deposit of the deeds,—an equitable deposit. I think myself that it would be quite as well if the Commission would take into account the question of giving the trustees power to borrow a certain sum in cases of that kind, for instance three-fourths, or something like that, of the money which they may have really advanced to various parties.

6274. As I understand the matter, in Oldham you

*Mr. W. Ascroft.*

12 May 1871.



*Mr. W. Ascroft.*  
12 May 1871.

get over the difficulty which is inherent in terminating societies by fitting one into the other, so that they become practically one permanent society?—One assists each other in that way; but the question is whether it is not stretching a point. I think that if any Act of Parliament is brought in, that may be a point to be inserted in it, say that power should be given to borrow two-thirds or three-fourths of the money which may have been advanced upon security. The trustees now make themselves individually liable, but if it was embodied in an Act of Parliament, it would be under the sanction of that Act of Parliament.

6275. But is not the individual responsibility of the trustees the only security of the first society which lends money to the second society?—They hold the deeds.

6276. But the first society cannot judge of the propriety of the advance?—Just so.

6277. Therefore the security is the promissory note of the trustees?—Yes.

6278. If by legislation you gave power to the second society to borrow, that promissory note of the trustees would not be required, and there would be no security at all to the first society?—I think that they would require a promissory note just the same. There should be a limitation that such a society should not borrow above a certain sum of money.

6279. Then what is the use of an Act of Parliament if a promissory note would be given just the same?—Because it would be sanctioned by Act of Parliament.

6280. Is there a borrowing power in any of the rules?—I think not; that has been generally refused.

6281. You are speaking now of your societies?—Yes. I think that it ought to be given.

6282. Would not the object which you have in borrowing be met just as well by the formation of a permanent society as by continuing terminating societies?—They do not like permanent societies in Oldham.

6283. Why not?—They like to see the end of a society, and to manage it; they cannot tell how matters are in a permanent society so well as in a terminating one.

6284. What is the great difficulty in their finding out their position?—I do not know, but they may not have the same management of it; parties will now commence with a society, and they will see it worked through, and they take a great interest in doing so. In permanent societies they are liable to change, and they perhaps get under builders and contractors.

6285. Are you acquainted with any permanent societies which have got under builders and contractors?—I am not. I am not connected with any permanent societies.

6286. Have any of your societies in Oldham had anything to do with the purchase of land?—One society has; but it is a co-operative society, it has not been enrolled under the Friendly Societies' Act; it is a limited company which has taken land, and which has built houses and sold them to the operative class.

6287. Is anyone of your building societies in any way connected with that society?—No. It is a building society just as well; they lend money and receive it back by contributions.

6288. Is it certified as a building society?—It is certified under the Limited Act.

6289. Is it certified as a building society?—No.

6290. Have any of your terminating societies, having more funds near their termination than they know what to do with, lent any of their money to this society?—No, not to the other society; the other is more a co-operative one.

6291. Then may I take it that your building societies proper in Oldham have nothing to do with land societies?—They have nothing to do with them.

6292. Do any of them receive money on deposit?—Some of them receive money by way of loan, just similar to receiving from another club, but not as a deposit similar to what the co-operative society would do.

6293. They receive money by way of loan upon the

promissory note of the trustees?—Yes; not in small sums, but perhaps they might receive 100*l.*, or 200*l.*, or 300*l.*, or 400*l.*

6294. For the purpose of making advances in the earlier stage of the society?—Yes; or in the spring time of the year, when more building is going on than in the winter, and the bank may be tight as to money; then the society may borrow from some parties of that kind.

6295. Has any difficulty been experienced in obtaining loans of that sort?—The bank is generally very liberal, but there have been cases in which the bank has required them to repay that money, and then they have had to borrow money from other parties in order to pay the bank; that has been the case lately.

6296. Have they been able to obtain money from other parties?—Yes, they have generally got it from some other club which has had money near its termination.

6297. Then what is the need for the legal borrowing powers in their case?—As I say again, it is a question whether at present they have power to do so or not.

6298. If the trustees are willing to give their promissory note, and if people are willing to lend upon that promissory note, what more do they want?—They might stretch a point; you might say, perhaps, that they had not the power to deposit deeds. I would sanction by Act of Parliament what they now really do.

6299. It is not quite that, is it? because if they had borrowing powers they would borrow upon the security of the society, whereas now they borrow upon the personal security of the trustees?—Yes.

6300. Therefore the Act of Parliament which you would wish to see, would give a power to the societies which they do not at present possess?—Yes.

6301. Is the exemption from stamp duty considered a matter of great importance by the members of your societies?—Yes, I should think that it is.

6302. Although the stamp duty is at present at a low figure?—It is much lower now than it formerly was, but even now they consider it a hardship. Above 500*l.* stamp duty is paid, because there it becomes more a speculation than in the case of a man building a house for his own convenience.

6303. I presume that they would not wish to see the exemption extended above that limit?—No.

6304. But they would very much object to its being done away with altogether?—Yes. I think that the limit is a reasonable one now, viz., 500*l.* If a man builds two or three houses, and for which the purpose of the Act was contemplated, it gives him a privilege different to a person who is merely building on speculation.

6305. Do you think that the abolition of that exemption would limit the business which is done by these societies?—I think that it would, to a certain extent.

6306. To any great extent?—Perhaps they would feel it, they would think that it was a great hardship.

6307. I suppose that you look upon it as a privilege which is held out to encourage them?—Yes.

6308. And you think that they would feel its abolition more upon that ground, than upon that of the amount of money which they would have to pay?—Perhaps so, but still they would feel it, and many parties enter into the building societies thinking that it is a great advantage that they have not stamp duty to pay in a case of that kind.

6309. Do you think it would be practicable to lay down a form by Act of Parliament in which the accounts of building societies should be made up?—I do not think that you could have it in a better form than it is now, when they are audited every 6 or 12 months, and the accounts published in all the societies, and independent members are appointed to audit them.

6310. Then your accounts are not audited by professional auditors?—No; in some cases there are accountants, as a matter of course, who are connected

with the society, and they are appointed, but they are not independent parties, they are generally connected with the society.

6311. Do you think that there would be any objection among the members of your societies to a form being laid down, in which the accounts should be furnished to the members, and also sent up to the registrar?—They are now furnished to the members; everything is straightforward; an account is published every year, and every member has one given to him.

6312. Would they have any objection to a form being laid down by Parliament in which the accounts should be published?—I do not think that they would, although I cannot see the benefit of it, if they are interested and satisfy themselves by looking after their own affairs, and auditing the accounts in a proper manner.

6313. (*Sir S. Waterlow.*) I think you told the Commission that in your society 3*d.* is paid by each member at each monthly meeting, whether the member attends or not?—Yes.

6314. Do you think that is a desirable arrangement, or do you accept it as a necessity?—I do not think that there is any objection to it. I do not know that I ever heard a member complain about it.

6315. Taking the average number of shares held by members to range between two and three shares, it amounts to 1 per cent. upon the payments?—Yes; but if you went to an independent room you must pay for the use of it.

6316. Surely not to the extent of 1 per cent. upon the payments?—I do not know that. Then the trustees make no charge; they give their services. I do not think that there is anyone who troubles the rest in that respect, or complains, or thinks it any hardship.

6317. Do the trustees attend every monthly meeting?—Yes; they are subject to a fine if they do not.

6318. Do they receive anything out of the 3*d.*?—They may receive a glass of spirits-and-water, that is all their perquisite in the matter; they give their time.

6319. Do you not think that this system of holding meetings at public-houses, and paying 3*d.* a head, rather tends to encourage more drinking than is desirable in connexion with these provident societies?—I do not think that it does.

6320. Supposing that a man brings the money of three or four members, who drinks the threepenny worths of refreshment for the absent members?—Sometimes the parties remain there; those who look after the working of the society get the benefit of it.

6321. Then if four members attended, and if there were 12 payments to be made, the four members would have the refreshments belonging to the 12?—The four would get the benefit of it.

6322. And you do not think that there is any social evil arising from that?—I do not think that there is. I have attended many a meeting, and I never saw that there was anything of that sort.

6323. As to the borrowing powers, you say that you now borrow money without having any power in your rules to do so?—It is lent. I will not say that there are not certain powers in the rules, and I will not say that it is wrong to do so; but if there was an Act of Parliament sanctioning it, there would be something stronger to guide it; though I will not say that the present registrar will not sanction it in the rules.

6324. From your experience of terminating societies, do you find that at the commencement there is a want of money, and towards the termination an excess of money?—Yes.

6325. That you say is remedied by the new society borrowing of the old society?—Generally so.

6326. You say you think that if borrowing powers are sanctioned, they should be limited to two-thirds or three-fourths of the money advanced upon security?—Yes, I think that is fair and reasonable.

6327. Then what security would the young society have to offer?—If they had lent 300*l.* they would have power to borrow 200*l.*; they would be limited by the amount of money which they had lent.

6328. But if their average number of members is only 100, their subscriptions would be limited to 50*l.* a month?—That may be so; but they commence lending at once, and the bankers are willing to advance to them. You will not require to advance anything until a man has security to give you, and upon his deeds being taken to the bank the bankers will let you have so much money.

6329. Then if you advanced 300*l.* to a member you might only find 100*l.*, and might borrow the other 200*l.*?—Certainly.

6330. You think that an advantage arises in terminating societies, because the time must come when, from the society being wound up, the members must know the actual state of things?—I do.

6331. Whereas in the case of a permanent society, the society may go on for years, and only those in the immediate management are acquainted with its assets and liabilities?—Decidedly.

6332. Do you not think that for that reason it would be desirable to have something more official in the shape of an audit, than an audit by persons connected with the society?—No, I think that those are the best auditors. I consider that parties who are connected with the society, and who are interested in its welfare, are the best auditors that can be appointed.

6333. Do you think that they are capable of judging whether a property is a sufficient security for the money which has been advanced?—They do not audit values, the inspectors look to that; the inspectors value the property before the money is advanced.

6334. Supposing that the inspectors should, from an error in judgment, or from a partiality towards the borrower, have sanctioned an injudicious advance, there is no security against it?—I have never known a fraud. Parties are generally appointed as inspectors of property who know the value of property in the town in which they are, and they do not recommend the advance upon the property unless they consider it safe. Besides, the security is improved every month by the repayments.

6335. Do you not think that those persons who audit the accounts should have the power of ascertaining periodically whether or not there has been an error in judgment?—Then there would be an inquiry every month.

6336. Is not it too late to remedy the mischief after the advance has been made?—No, because the money is repaid, and the thing is done with.

6337. But if a man is a defaulter in his payments are you not too late?—No men are likely to be such good inspectors as men who are interested in the society and are connected with it, and who know the value of the property. It is not one individual who values, but there may be three inspectors who go and examine the property to see whether it is a sufficient security, and who have to sign their valuation in the book before the money is advanced.

6338. Excepting the necessity of which you have spoken, of some arrangement with regard to borrowing, do you think that Parliament should make further inquiry into the societies, with a view to an alteration in the law which regulates them?—I do not think that Parliament could improve the class of society which exists in Oldham. I cannot say what it may be in large cities like London or Manchester, or places of that kind. That may be another inquiry.

6339. From your experience of the 30 societies in Oldham you think that no alteration is necessary, except as to the borrowing power?—I think so.

6340. (*Mr. Roundell.*) I think that you said that it was customary for an advanced member to take land for two houses?—For two or three houses.

6341. Is it the practice to build a house upon each plot?—The land would generally admit of three houses being built together. A man will build as many houses as he may have shares or can find money for.

6342. And therefore the whole of the land is

*Mr. W. Ascroft*

12 May 1871



*Mr. W. Ascroft.*

12 May 1871.

included in the security?—Yes, it is one lease or conveyance.

6343. What is the object of doing so?—The object is to provide for old age whilst the man is in work and is able to save something,—to make a proper provision for himself and family when old age comes on.

6344. He seems to be making greater provision than is necessary for himself and family?—Three or four cottage houses are not so very much there; perhaps cottage houses might let for about 3s. a week.

6345. But they are not all occupied by himself and family?—No; but if a person can save sufficient to pay a monthly sum into a club, and by that means can get three houses in 14 years, he is doing very well, and is providing for old age, and I should be very glad to see more of that done than there is.

6346. Is the number of the members of the societies in Oldham much increasing?—Yes; it is increasing, but it has not increased so very fast of late. Those societies are more general now than they were years ago.

6347. Are the class of persons who are members principally connected with the mills?—Generally, and there are shopkeepers as well. There are respectable tradesmen who are connected with the societies.

6348. Having regard to the number of societies which you have spoken of in Oldham, has it been the practice of the members of each society to build together in the same district?—Certainly, in the same district; half-a-dozen different societies may be building in the same locality.

6349. That would be in the same quarter of the town?—Yes, they may be doing that.

6350. Is a better style of houses now being sought after, or being built by the members of these societies, comparing the present time with 20 years ago?—A much better class of houses—more convenient. One society with which I am connected there, which is a kind of co-operative society, have taken land, and they have put 29 houses on it, and sold them to different members, and they have then lent the money to them just the same as a building club. But they are not enrolled under the Building Societies' Act, and therefore they have to pay stamp duty upon the deeds. Those houses would cost about 130*l.* or 140*l.* a piece; they have good back yards, and a separate convenience of every kind.

6351. Does the payment of the stamp duty cause these houses to be held at all in less favour?—I think that the exemption from stamp duty, in the case of small houses, is a great encouragement to persons entering building societies, and building by means of them. Of course you must look at the intention of the Act of Parliament, namely to enable a working man to have his own house.

6352. Have you had any large sums advanced in the case of any of the societies with which you are connected?—The bankers will very often let them overdraw their accounts to the amount of 1,000*l.*

6353. I mean advances to particular members; in any individual cases have you had any exceptionally large sums advanced?—No, not in Oldham.

The witness withdrew.

Adjourned to Friday next at half-past 11 o'clock.

Friday, 19th May 1871.

PRESENT:

SIR MICHAEL E. HICKS-BEACH, BART., M.P., in the Chair.

JOHN BONHAM-CARTER, Esq., M.P.

EVAN MATTHEW RICHARDS, Esq., M.P.

CHARLES SAVILE ROUNDELL, Esq.

FRANCIS THOMAS BIRCHAM, Esq.

MR. JOSIAH HOSKING and MR. THOMAS E. PRIEST examined.

*Mr. J. Hosking.  
Mr. T. E.  
Priest.*

19 May 1871.

6354. (*Chairman to Mr. Hosking.*) What building societies in Liverpool do you represent?—We have an association of building societies in Liverpool, but it is simply to protect the societies in case of any legislation which may injure our interests; it is a defence association established in 1855, simply for that purpose. To some extent I represent a considerable number of societies. I am chairman of 13, and I am trustee or other officer of seven more. I am really officer of 20 at present, which I directly represent.

6355. Are those 20 societies permanent or of a terminating kind?—They are partly terminating and partly permanent. The majority of the societies with which I am connected are permanent. I have been connected with a large number of terminating societies which have terminated. I have been connected with about 40 societies altogether; but then the terminating ones closed in about 10 or 12 or 13 years. I am more connected with the permanent societies at present. I used to be more connected with the terminating ones. Mr. Priest is greatly connected with the terminating societies, and probably can give you more information with respect to them than I can.

6356. (*To Mr. Priest.*) What societies do you represent?—At the present time I am the secretary for 10 terminating building societies and five permanent building societies. My experience, I may say, is chiefly connected with the terminating building societies. In conjunction with my father I have been secretary to no less than 52.

6357. In Liverpool?—Yes, in Liverpool. My father

was about the first secretary who started a building society in Liverpool, about 50 years ago.

6358. We have previously had before us Mr. John Lloyd Jones and Mr. James Bolton Reay as witnesses from Liverpool, representing different terminating and permanent societies. With reference to the terminating societies, is there anything in those which you represent different from those which are represented by Mr. Reay; his were the Sefton, the Second and Third Great George's, and the Sixth Prince of Llewelyn?—I really cannot answer that question exactly, for I have not seen a copy of the rules of those societies.

6359. You are not acquainted with those societies?—I am not acquainted with those societies; I believe they are what are called non-redemption terminating building societies. I have both non-redemption terminating building societies and redemption terminating building societies. If they are 120*l.* each share, they will be no doubt a similar class of society.

6360. Will you explain the difference between the redemption and the non-redemption terminating building societies?—In the case of a non-redemption terminating building society the members who have borrowed money from the society, (we call them borrowed members,) each pay 10*s.* a share for a 120*l.* share per month until the termination of the society. In the case of the redemption terminating building societies they pay 10*s.* per month, and in addition to that 4*s.* or 5*s.* per share, the latter being what is called redemption money, which really means interest.

6361. Then in the non-redemption terminating

societies, what is the position of the investing members?—You may say that the position of the investing members is the same in each; the distinction is in the borrowing members. Perhaps you will understand me better if I inform you that the non-redemption terminating building societies charge a much higher rate of premium for the money that is borrowed than the redemption building societies. In the case of a non-redemption building society the interest or redemption money is taken off them at the commencement. It is deducted from the amount they would receive.

6362. What premium is usually charged?—The non-redemption building societies charge a premium of 65*l.* per 120*l.* The redemption building societies charge a premium of 45*l.* per 120*l.*, so that there is very little real difference between them; it amounts to the same thing in the end. They both terminate in about the same time—in 12½ or 13 years.

6363. The payment in the first case is made mainly by premium, and in the latter case by monthly instalments?—Yes, quite so.

6364. Do you represent both classes of those societies?—I do.

6365. Which is the most popular in your opinion?—The redemption societies have been the most popular in my connexion, but I should think the two classes of societies are about equal in number in Liverpool.

6366. All this evidence has reference to terminating societies, has it not?—It has.

6367. Taking the societies which you represent, will you name some redemption society as an example of the rest?—This is a copy of the rules of a redemption society. This is the first annual report of the society (*producing the same*). This shows the business done.

6368. The name of the society is the Third Britannia Building Society?—It is.

6369. Then, I presume, from the date of this report, which is February 1869, it was founded in the year 1868?—It was.

6370. I see that there are 577½ shares issued?—That is the gross number, including both investing and borrowed.

6371. What is the amount of each share?—The amount of each share by the rule is 120*l.*

6372. What is the rate of monthly payment of the investing members on each share?—10*s.* per share per month.

6373. For what time?—Until the termination of the society.

6374. When is the society intended to terminate?—It depends entirely upon what profits they make, but they usually terminate in 12½ or 13 years. I never knew them to go beyond 13 years and three months or 13½ years.

6375. Then for an investing member the payments will be 10*s.* per month for that period?—Yes, during that period when the value of a share of 120*l.* would be realised.

6376. In this society and in the other redemption societies, or in any other societies with which you have been connected, is it the rule or not that persons become investing members, without wishing to become advanced members?—They may.

6377. Do they?—Yes.

6378. They use these societies as a means of saving?—Purely as a means of saving.

6379. What interest is allowed to investing members on their payments?—The rule says, that they shall become entitled to interest calculated at a certain rate per annum, as the committee shall appoint, but in no case shall the interest be at a lower rate than 5 per cent. per annum upon the subscription paid, that is up to the second year. After the second year, and any time within the third, there is a bonus of 20*s.* allowed per share. If within the fourth year, there is a 2*l.* bonus; in the fifth year, 4*l.*; in the sixth year, 6*l.*; in the seventh year, 9*l.*; and then the committee are empowered to increase the bonus to such amount as the profits may allow.

6380. What you are speaking of is the interest or

bonus on withdrawal, is it not?—Certainly. I understood you to mean that.

6381. What I wanted to ascertain was whether any interest was allowed, upon these accumulated monthly payments, to a person remaining an investing member of the society?—He is entitled to the whole of the profits realised at the termination of the society; his account is credited with it. Provided the society was continued for 13 years, he would have paid at the rate of 10*s.* per month; that is 6*l.* a year, 78*l.* altogether; and he would get the difference between that and 120*l.*, viz. 42*l.* as his profit.

6382. But he would receive nothing during the 13 years; he would receive it all at the end?—There is no interest payable, unless the member withdraws altogether from the society before the realisation of the 120*l.*

6383. Then, with reference to advanced members, under the 24th rule of the society, I see it is provided that at each and every sale of shares the committee shall have a reserved price as a premium at the rate of 45*l.* per share?—Yes.

6384. That is at the rate of 45*l.* for every 120*l.* advanced?—Yes.

6385. Does the premium ever exceed that?—It never has done so in that society. Some years ago, when shares were offered for sale, we used to get an increased price, but now we scarcely get anything beyond the reserve. In fact, you will see by that rule that the committee have power to award shares without going to sale, and that is the mode in which shares are granted.

6386. I do not see that among the rules?—I thought it was among the rules. We have taken powers lately in our rules to do so.

6387. Do you mean that the committee have power to allot an advance to any person they prefer?—They may do so at the price named in the rule; that is the minimum price. The committees have power to award shares now usually in societies, without going to a sale, at the minimum price fixed in the rules.

6388. Supposing there are two persons wishing for an advance, one of whom is willing to give, say 50*l.* instead of 45*l.*, might the committee allot the advance to the person who was only willing to give 45*l.*?—Yes, that is frequently done.

6389. Declining the applicant who is willing to give 50*l.*?—I beg your pardon; we are so anxious now to get borrowers from our societies that we grant advances at the minimum price without compelling them to go to auction.

6390. What I want to ascertain is, what you mean by this power of award on the part of the committee. Are the committee bound, acting on behalf of the society, to take the highest premium they can get, or are they not?—They are; but you will quite understand that the committee never seek to get a higher rate of premium than is marked in that rule now. They are quite ready to take the minimum price as fixed in the rule. Applications for money are by no means so numerous that we can allow an intending borrower to be sent away. Borrowers can find no difficulty in getting the money at that price anywhere in Liverpool.

6391. Then all that you mean is that the applications for borrowing have lately become fewer, and therefore the committee take the minimum price?—Quite so.

6392. What is the highest premium which you have known given in the other societies with which you have been connected?—Some 20 years ago, perhaps, we used to get 50*l.*, where now we only obtain 45*l.*, but then there was far less money invested in these societies at that time than there is now.

6393. I see that there is power in this rule for the committee to reduce the reserved price as the society becomes older?—Of course a member borrowing now ought to pay more than one borrowing two years hence, because he has the use of the money for a longer period. That reduction in the premium is pro-

Mr. J. Hosking.  
Mr. T. E.  
Priest.

19 May 1871.



*Mr. J. Hosking.*  
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*Priest.*

19 May 1871.

portionate to the length of time that the money is lent out for.

6394. You stated that, in addition to the premium, the payments are 10s. per month?—An advanced member, as you call him, or a borrowed member, as I call him, pays 10s. per month, and 4s. per share in addition, to the society.

6395. Do these payments continue during the whole of the term?—Yes, until the society terminates.

6396. Is there any alteration in their rate for an advance made in the later years of the existence of the society?—No, the matter is guided entirely by the premium. You will perceive that there is a reduction in the premium which covers it. Any member coming in, we will say, two years or three years after the commencement of the society would have all the back subscriptions deducted from him, so as to place him in the same position with a man borrowing on the first night or on the commencement of the society, but he would have less to pay in respect of premium, inasmuch as he has not the use of the money for so long a time.

6397. Have you ever calculated what rate of interest this really amounts to for the use of the money?—It depends entirely upon the prosperity of the society. As I told you before, some societies will close as early as 12½ years, but I never knew a society to exceed 13½ years. The average time is 13 years. Taking it at that time the borrower would pay between 5½ and 6 per cent. for the money.

6398-9. (*Mr. Richards.*) Do you mean that the borrower pays 5½ or 6 per cent. upon the money advanced?—I wish you to understand that that is looking at it as a cash transaction. It is arrived at by taking the amount of cash a member gets out, and the amount of cash he repays during the 13 years, giving him credit for the interest on his repayments monthly.

6400. (*Chairman.*) I see, according to your 10th rule, that the entrance fee is 2s. 6d. per share at the commencement of the society?—Yes.

6401. And it gradually increases from that amount with the increased age of the society in months up to the sum of 19l. when the society is 96 months old?—Yes.

6402. Was that entrance fee included in your calculation as to the rate of interest which a person had to pay for an advance?—Yes, I was merely looking at the amount borrowed as a cash transaction; presuming the borrower to get 500l., without reference to shares at all.

6403. Then you did not include the entrance fee?—Yes, I included all deductions. I am supposing it to be a cash transaction. Supposing the society to have gone on for three years, and a man to have got 500l. from the society, his payments up to 13 years, or 12½ years, would be, according to circumstances, 5½ or 6 per cent.; that would be the interest he would pay, in addition to the repayment of 500l. Of course, that interest is extended over the whole period.

6404. Have the committee of that society, or of any society with which you have been connected, exercised the power which this rule gives them of increasing the entrance fees?—You must understand that after a time we should not have any borrowers at all, and we do not want investors.

6405. I meant during that time?—Up to that time we never increase the entrance fee beyond that figure; the entrance fee might just as well be the full amount of the share, because we never have any borrowers after that time.

6406. But that does not apply, of course, to the earlier months of the existence of the society?—No, but that is a scale fixed by rule.

6407. Your rate of fines, I see, is 6d. per share per month for each subscription in arrear?—Yes.

6408. Is that the same for investing and borrowing members?—Yes. There is an additional fine of 3d. charged upon the redemption money.

6409. That would be 9d. then upon the 14s.?—Yes, 9d. upon the 14s.

6410. Does that rate of fine continue the same with additional arrears?—It does.

6411. That is to say, if a man is two months in arrear, it is simply doubled?—Quite so.

6412. For three months it is trebled, and so on?—It is.

6413. Has it frequently happened in your societies that you have been obliged to inflict these fines?—It has very rarely happened that we have had to inflict them. In the case of investing shareholders, of course, it has scarcely ever happened, unless it is an odd month when they overlook the monthly night of payment.

6414. My question referred almost exclusively to the borrowed members, as you call them?—We have very rarely to inflict the fines in the case of borrowed members, except for the same reason that I explained to you, just for an odd month, when a member has overlooked the night of payment.

6415. Then, if the fines are not paid, I see there is an additional fine of 6d. per month per share?—That I have never charged in any case.

6416. Have you ever calculated the per-centage which the fine amounts to?—We should not make use of that rule at all, except in such a case as that of a party deliberately mortgaging a property with a view to swindle the society, that is, by getting more money, or at least as much money advanced upon the property as it was worth, and leaving it upon the society's hands.

6417. Have any cases of that kind occurred in your societies?—They do occur, but not very frequently.

6418. What class of persons have they been who have endeavoured to swindle you in that way?—All kinds of people; they are worthless characters; and we, like any other concern, suffer occasionally from such people.

6419. Has a speculative builder ever made such an attempt?—I do not do any business with such builders. They have done it frequently in Liverpool with other societies.

6420. I see your shares, according to your 15th rule, may be divided into quarter, half, or three-quarter shares?—Yes.

6421. What has been the usual practice of your societies? have members usually taken a whole share, or have they often taken a fraction of a share?—In the terminating building societies they have chiefly taken a whole share.

6422. What was the object of making this provision for a division of shares?—To give the poorest a chance of coming in, even at 2s. 6d. per month.

6423. Then it has not had much effect in that way?—It has had more effect in the permanent societies.

6424. What are the class of members in your societies generally as a rule? I will take this society as a sample of the others?—With a very few exceptions, they consist of artisans and all classes of labouring men, small shopkeepers,—in short the humbler classes. I have one society almost altogether managed by policemen, and another almost altogether managed by people in the Post Office and the Customs.

6425. Do the labouring classes belong to your societies?—There is one of my societies, of which you have the report before you, which is almost altogether composed of shipwrights.

6426. Looking to the list of the advances made by this society during the past year, I see some of them are of a rather large amount. The first one is on four shops and four houses; it is an advance of 17 shares of the nominal value of 2,040l., from which, of course, the 45l. per share premium would have to be deducted. That advance was made to some brewers, was it not?—Yes. They are two men who a very short time ago were, I believe, working with their aprons on, and had no place of their own; but through the aid of building societies, I believe, they have managed to save a little money, and they have gone into business on their own account.

6427. The next advance I see is a nominal value of

480*l.*, the real value being 280*l.* 16*s.*; that was made to a shipwright?—Quite so.

6428. Then there is an advance of the nominal value of 1,308*l.*, the real amount being 795*l.* 16*s.*, made to a hairdresser upon eight houses?—That same member has been connected with my father's societies before mine for something like a quarter of a century. He has managed to save money.

6429. Then there is another advance of the nominal value of 1,920*l.* and the real value of 1,098*l.* 4*s.*, made upon eight houses, also to a hairdresser; that is the same person, is it not?—It is the same person.

6430. What would be the value of each of those eight houses?—I must explain to you that, in nearly every case, in a building society the borrowers get the full value of the property. We advance with a very small margin. I wish you to understand that the repayments in a terminating building society are so heavy that we run very little risk, if a man pays us back only one year's subscription. I will take for instance a property worth 1,000*l.*, we frequently advance as much as 900*l.*, or if the property were worth 500*l.* we should advance 450*l.*

6431. I observe that in most of these cases, in all but one or two, the advance has been made upon more than one house. Was not the original idea of your societies, the notion that the working man should be able to provide himself with his own house, rather than that he should become a large owner of house property?—No. I think the wording of the Act distinctly states "one or more dwelling-houses."

6432. How many members are there in this society?—You will see by the report.

6433. 117?—Yes.

6434. May I take it that that would be the average number of the members of these terminating societies?—I have some with more, and I have some with less, but that is about the average.

6435. Has this society, or have any of your terminating societies, any power to borrow money?—I have got the power in every one of them now. There is no power in these rules, but since the decision was given in the case of *Laing v. Reed*, I took the precaution to get the power by rule in every society. Of course they all have borrowed money. In fact we could not work a terminating building society without borrowing.

6436. In what way do you borrow money? Do you receive money on deposit?—We borrow on a promissory note signed by the trustees.

6437. On the personal security of the trustees?—Quite so. The trustees are now indemnified by the society.

6438. What amount has the Third Britannia Building Society borrowed?—1,980*l.*

6439. That amount has not been taken in the ordinary way of a loan?—It has not been taken on a promissory note.

6440. But it consists of subscriptions received in advance from members, does it not?—It does.

6441. Has that been the practice of your societies generally?—No. I wish to explain that of course we do take subscriptions in advance, but in other societies we have not been able to get sufficient subscriptions paid in advance by members, and we have had to borrow from private individuals, or from our bankers.

6442. To what extent have you taken subscriptions in advance in this society? have you taken the full amount of the share?—No, say a 12 months' subscription

6443. Then do you or do you not allow, during the existence of the society, any interest upon those subscriptions?—Certainly, that is the inducement for them to pay them.

6443*a*. What rate of interest do you allow?—In that society, for the first year we allowed 6 per cent., that is the reason why we have got sufficient money; that is the 1,980*l.* you see in the report.

6444. In taking subscriptions in advance in that way, do you receive any amount however small, or do you receive fixed amounts?—You will see by the

report that not less than six months' subscription is received, I think.

6445. Is this it, "interest at the rate of 5 per cent. per annum will be allowed upon subscriptions paid in advance for not less than 12 months"?—In some societies it is six months, and in some 12 months. I thought in that society it was six months; that is the resolution. But you must understand that in the first year we gave 6 per cent. in that society, and when the report was issued, the committee altered it for the second year to 5 per cent. as they found they had got sufficient money in that way.

6446. May I take it that this society, with reference to which you have given evidence, is a fair sample of the other terminating societies with which you have been connected?—It is.

6447. (*To Mr. Hosking.*) Have you any remark to make upon the terminating societies which Mr. Priest has not stated?—I wish to point out that the term premium means really a discount. The shares are 120*l.* each, and although there is a 65*l.* premium, that means 13 years' interest; that is to say that they receive 55*l.* in cash now, which with the accumulated interest is worth 120*l.* at the end of 13 years, so that it includes all future interest in that large item of premium.

6448. You are referring to the non-redemption societies?—Yes.

6449. I have not gone into this point, but perhaps you will continue your explanation?—It is the same with a redemption society; the borrower, in the shape of the redemption money, pays about 2½ per cent. per annum probably, and the premium is the remainder of the interest, that is to say, he pays about 40*l.* or 45*l.* premium on the 120*l.* being the total interest from the time he gets the money to the close of the society, so that if he receives about 75*l.* in cash now it is worth about 120*l.* at the end of 13 years. It is like discounting a 13 years' bill to a certain extent. That is the principle of what we call premium in a terminating society. The members join together and pay 10*s.* per share until 120*l.* has accumulated, and then those who are desirous of receiving the money at once have to pay a large discount, which is really the interest for the term of 13 years.

6450. They do not get their money at the termination of the society?—No, because they have got it beforehand, but they give the society a mortgage security that they will continue their payments to the society until its close, and the investing members get their 120*l.* in full at the end. But we find by experience that the great majority of the investing members want their money before that time, and then they withdraw upon some bonus to be arranged by the committee, varying from 4 to 7 per cent., perhaps, according to the judgment of the committee, as a matter of policy and agreement for the interest of the society. Mr. Priest's explanation is very correct relating to the class of society he has described.

6451. I think you stated that you were connected with some terminating societies?—Yes. I have the report of one here (*producing the same*).

6452. Is there any point of difference between that society and those which Mr. Priest has spoken of?—There is not much difference, except that I should like to illustrate one point. There is one matter that we complain about, and that is the recent alteration of stamp duties connected with the building societies, and we are anxious if possible to get that alteration in the law repealed. We had a clear exemption from 1836 to 1868 from all stamp duties. This was modified in 1868 by a clause passed by a surprise, and I believe we have sufficient authority to show that it was passed under misapprehension. On the 1st of July 1868 the clause was introduced into an inland revenue bill; it had passed the House of Commons before we heard of it. We did not hear of it in time to oppose it. We had, however, some interviews with Mr. Ward Hunt and others, and I think I am correct in saying that he would have struck out the clause to give an opportunity for further considera-

*Mr. J. Hosking.  
Mr. T. E.  
Priest.*

19 May 1871.



*Mr. J. Hosking.  
Mr. T. E.  
Priest.*

19 May 1871.

tion, it it had not passed the House of Commons. I wish now to illustrate the injury which this clause does to the terminating class of building societies in its present shape.

6453. Was not this the alteration to which you refer : before that period all the building societies had been exempt from stamp duties, whatever the amount of the transaction?—Yes.

6454. And the alteration was that transactions over 500*l.* were subject to stamp duties from that time forward?—Yes. I would illustrate by a reference to the Sixth Alliance Building Society what the effect of it would be. If a person comes into the society now and becomes a borrower, he only receives 28*l.* 5*s.* 0*d.* in cash at present. Now the stamp duty is to be on 100*l.*, and according to the wording of the present clause of the Stamp Act of 1870, we must have the stamp upon the amount which the mortgage is to secure. The mortgage is to secure the payment of 100*l.*, therefore we are compelled to put on a stamp for 100*l.*, though in this particular society at the present time a borrower will only get in cash 28*l.* 5*s.* 0*d.*

6455. Surely a transaction of that amount is exempt from the stamp?—Not if the mortgage is to secure 100*l.* If he gets six shares, the stamp has to be upon 600*l.*, though he only gets in cash about 160*l.* In consequence of the wording of the present Act, transactions which ought to be exempt are really charged.

6456. What in your opinion was the idea of the Legislature in exempting building societies from stamp duties? Was it not to encourage small transactions rather than large ones?—I can give you the precise reason. These societies were commenced in Liverpool and Manchester about the year 1822, and they continued in a very small way for some time. Some legislation occurred in the year 1835 which rather alarmed them in connexion with transfers of shares; there was some project brought into Parliament by the Chancellor of the Exchequer at that time to charge all companies transferring shares. The result was that a deputation was sent up from Manchester and Liverpool, which waited upon the Honourable Mr. Spring Rice, who afterwards became Lord Montague, and who was the Chancellor of the Exchequer at that time. The subject having been explained to him, he said that he thought the societies deserved encouragement, and he not only said that, but he said that they ought to have a special Act. In the next session he brought in a special Act which was passed; it is the 6th and 7th William the 4th, chapter 32. He said: "As a matter of finance we lose every year by the savings banks, and if we encourage these societies we shall benefit the government funds, by getting people to save in these societies instead of in savings banks." It was entirely in consequence of the Liverpool and Manchester deputation that this Act was passed. In fact these societies were utterly unknown in Birmingham at that period. It was entirely a Liverpool and Manchester plan, though they had extended to some extent to London. After 1836 they obtained immense popularity. In fact it was the passing of the Act of Parliament that encouraged people to put their money in them, and we contend that to a certain extent it is breaking faith with the societies to alter that system. That is the view which we wish to submit to you on the subject.

6457. What I want to discover from you is, what your idea is of the intention of the Legislature in exempting these societies from the stamp duties? Was not that intention to encourage small transactions, rather than to encourage transactions of a magnitude which ought fairly to be subject to the same rate of stamp duties as is imposed on similar transactions, which have nothing to do with building societies?—The main reason, no doubt, was to encourage moderate transactions, and it cannot be denied that to a certain extent they have swelled into rather larger transactions than we should wish occasionally. These have been exceptional cases, but the great mass are still quite within the originally intended scope of the Act.

6458. Taking some of the cases which have been mentioned by Mr. Priest, for example, the person who owns eight houses,—why is that person to be exempt from stamp duty upon a mortgage of those houses? He is not a working man requiring a house for his own residence?—There is a great difficulty in Liverpool, in fact it is almost impossible to buy a single house; the system adopted there is this: we are nearly entirely in the hands of what are called Welsh builders, who are a very important class in Liverpool. Our members never, or, at all events, very rarely build for themselves; but these builders take a piece of land and erect a row of four or six houses, which they sell. We cannot buy single houses from them easily in Liverpool, and consequently our members are led on in this way; there is a little lot, say, of four houses, worth 600*l.*; one of our members would buy that lot, and we should lend him 550*l.*, so that really he would only put down 50*l.* of his own money in buying that small lot of houses, and it would take him about 20 years of his savings to clear the debt off entirely. That is the principle, and therefore I beg to point out that the system deserves as much encouragement in the case of four, or five, or six houses, as in the case of a single house.

6459. What does the person who buys them do with a number of houses of that description when he has got them? does he let them?—Frequently he resides in one, and lets the others, collecting the rents himself, he being on the spot. In Liverpool it is not the custom to go to a builder and say to him, "build me a house." That is a separate branch of business. I think as compared with some other towns we have a peculiarity in that respect. For instance, I hear that in Birmingham they can arrange with a builder to build a house at a certain price. Such a thing as that is utterly unknown in Liverpool.

6460. May I gather from your evidence, that it is rather a custom in Liverpool for builders to make use of these building societies, or even to found them, for the purpose of their operations?—No; I do not say that. What I say is this: a builder builds, we will say, four houses or six houses; he will not sell a single one—he has to get a mortgage from some private individual upon them—and then he sells the whole row to one of our members; the member pays off the mortgage upon the houses, and comes to us for the greater part of the money. Perhaps he would pay, we will say, 600*l.*, and we should advance him 550*l.*

6461. Does the builder get his mortgage from private parties or from a building society?—He would get his mortgage from private individuals in the first instance. Mr. Priest has told you that he discourages applications from builders. I do the same. In fact the great mass of the building societies in Liverpool discourage the builders; they do not like to have transactions with them as a general rule. Of course if a builder has a small lot, it is another thing.

(*Mr. Priest.*) Even where a member purchases four or six houses, and only puts in 400*l.* or 600*l.* in an extended term of 20 years, the rents will almost enable him to meet the payments he has to make, and he has perhaps only 20*l.* or 30*l.* to pay in addition to the rents by means of his saving; that enables him to acquire a property of six houses.

6462. I must put the same question to you as I have just put to Mr. Hosking. What reason is there why a person acquiring houses in that way should be exempt from stamp duty?—I take it that that is the object for which the exemption was given, namely, that a working man should have the means of acquiring house property. We have only extended the period of the repayments, by which means we have placed it in the power of a working man—a man earning 30*s.* a week—to acquire houses. I know some hundreds of men in my societies who have acquired properties and who have not been in receipt of more than 28*s.* or 30*s.* a week; they were working men. We make the repayment so easy for them that they are enabled to acquire property; and that I take it was the intention of the Act by which the exemption was granted.

6463. You think the acquisition of a property of eight houses, or even more, is deserving of equal encouragement with the acquisition of one house?—They have not got the eight houses yet, they have to wait 20 years for the property. You may tax them as much as you like when they have got it.

6464. From what both you gentlemen have said, I understand that you would be very strongly opposed, as representing your societies, to any abolition of the exemption from stamp duty?—Yes, we should be very strongly opposed to the total abolition of it. We are very desirous of recovering, if possible, the same position that we were in from 1836 to 1868. We wish to point out especially the effect of that abolition upon the terminating societies, of which there are a great many in Liverpool; the borrower has to pay for the stamp upon 100*l.* when he only gets 40*l.* or 60*l.* or 80*l.* in cash, and in some instances it is far worse than that.

(*Mr. Priest.*) I have prepared a statement (*producing it*) compiled from several societies I have had to do with, showing the extreme hardship upon a borrower to have to pay stamp duty upon perhaps 120 per cent. more money than he receives in cash. I believe our solicitors act differently from the solicitors in London, they charge the mortgagor always with the stamp duty upon the gross amount.

6465. What is the expense of these mortgage transactions to the members?—The solicitor's charge, is five guineas for the mortgage deed; that does not include the cost of examination of title.

6466. Is there any fixed charge by your societies from the solicitors to the members?—There is five guineas for the mortgage deed, but as I have stated, that is simply for the bare mortgage deed.

6467. What is the charge for the examination of the title?—It would depend entirely upon the trouble, If it was simply a corporation lease, I suppose they would not charge more than 1*s.* or 1*l.*, in excess of the charge for the mortgage deed.

6468. What might the total amount of the solicitor's charge for the mortgage deed, the examination of title, and all the other charges in the transaction come to?—It depends entirely upon the amount of trouble given. Upon an ordinary mortgage deed with a lease from our corporation, it would not amount to more than 6*l.* or 6*l.* 10*s.* at the very outside.

6469. Have not any instances come under your notice where, owing to difficulties in the title, the charge has amounted to a great deal more than that?—Certainly.

6470. What is the greatest amount you have heard of in connexion with the transactions of your societies?—You mean for a simple mortgage and the examination of title, of course?

6471. I mean for the solicitor's charges in the whole transaction?—Do you include conveyance or not?

6472. Yes. I include everything.—There are two deeds, the deed of conveyance and the deed of mortgage. The charge for them would be five guineas each, and the charge for the examination of title, if it is a very difficult one, I have known to amount to 25 or 30 pounds.

6473. What would be the value of the property upon which these charges would be made?—The cost would be the same for any amount of value.

6474. I understand you to be speaking of a particular case. In that case do you remember what the value of the property was?—I am speaking of no particular case. I have known bills to be 24*l.*, 25*l.*, 27*l.*, or even 30*l.*

6475. Cannot you charge your memory with the amount of the transaction in those cases?—I have no particular case in my mind just at present, but it might be a case of only 300*l.* or 400*l.*

6476. Out of that charge what would be the amount of the stamp duty?—It would be 10*s.* per cent. upon the conveyance, and now 2*s.* 6*d.* per cent. upon the mortgage.

6477. Is not that a very trifling matter as compared with the rest of the charges?—Taking into considera-

tion the enormous charge of the solicitor, I think it is a very serious amount; we want the amount reduced.

6478. Have you not begun rather at the wrong end by attacking the stamp duty? Here you have charges of a very enormous amount, almost the whole of which are composed of legal charges, a very small part of them being payment to the Government; you attack the payment to the Government; ought not the attention of your societies really to be directed towards a diminution of the solicitor's charges?—We desire to do that too.

6479. (*Mr. Bircham.*) Do you mean to represent that the solicitor's charges on the average are five guineas and five guineas, or anything like 20*l.*?—I do not mean to say that. The question was asked me, as I understood it, how much had I known to be charged. I am not speaking now of an ordinary transaction. If it was a corporation lease—and a vast proportion of the property in Liverpool is upon corporation leases—the probabilities are that the whole matter would not amount to more than 14*l.* or 15*l.* For the mortgage and conveyance a solicitor is allowed by the society five guineas for each deed; that will not include the examination of title.

6480. Is that irrespective of the amount of the transaction?—I am speaking now of an ordinary mortgage of 300*l.*, or 400*l.*, or 500*l.* That would amount, with the stamps upon the conveyance and the solicitor's charges, to perhaps 14*l.*, 15*l.*, or 16*l.*, but I was asked what was the highest amount that I knew to have been paid.

6481. (*Chairman.*) Taking what you have last stated, that the charge would in an ordinary case be some 14*l.* or 15*l.*, would it surprise you to hear that with regard to perhaps the largest building society in Manchester, this is the scale of charges which has been fixed upon by that society for its solicitor: for amounts not exceeding 50*l.*, one guinea; for amounts not exceeding 100*l.*, 1*l.* 11*s.* 6*d.*; for amounts not exceeding 250*l.*, two guineas; for amounts not exceeding 500*l.*, 2*l.* 12*s.* 6*d.*, and so on?—I am aware that in Manchester and in other places, including London, the solicitor's charges are very much smaller than they are in Liverpool.

6482. (*Mr. Bircham.*) Was your society founded by a solicitor?—No.

(*Mr. Hoshing.*) I may mention that the lowest charge we can get solicitors in Liverpool to execute our mortgage deeds for, take them all round, is five guineas per deed, and in some cases, where it is difficult, they will have a little latitude to charge more; perhaps, on the average, you might take from five to seven guineas for a transaction, but that does not include the conveyance. If a member has his property conveyed, that will cost more; there will be five guineas for the deed of conveyance, and five guineas for the deed of mortgage; that is the lowest charge.

6483. (*Mr. Roundell.*) That is exclusive of the investigation of title?—They frequently charge a little more for the investigation of title. Apart from some exceptional cases like those which Mr. Priest mentioned, from five to seven guineas would cover the average charge.

(*Mr. Priest.*) I should like to explain that the charges have been very much more in many cases since this infliction of the stamp duty has been made by Act of Parliament, for we have had much correspondence and several interviews with solicitors, for which we have been charged 3*s.* 4*d.* and 6*s.* 8*d.*, to discuss the question as to what is really the amount of stamp duty which ought to be put upon a mortgage, and they run up very large bills. I have a case now, which occurred in one of the societies I had to do with, in which a correspondence occupying about two months took place between a London solicitor and one of our Liverpool solicitors upon this very question, as to what was really the amount of mortgage stamp to be put upon a deed. I have letters from two of the solicitors, complaining very much of the uncertainty of the law, and of their being compelled to put a stamp upon the whole amount of 120*l.* secured by the mortgage deed, from the fear

*Mr. J. Hoshing.*

*Mr. T. E.*

*Priest.*

19 May 1871.



Mr. J. Hosking.  
Mr. T. E.  
Priest.  
19 May 1871.

of having the full penalty of 10*l.* inflicted upon them for putting on an insufficient stamp. In one case it has been inflicted.

6484. (*Chairman to Mr. Hosking.*) Have you known many cases of societies in Liverpool being founded by solicitors?—No, not that I am aware of; there are very few cases indeed. They are chiefly commenced by a secretary and a connexion (as we term it) who have confidence in a particular secretary. We start a new one this year, and in three years hence we shall start another in the same connexion, because the borrowers cannot come in when they get very far on. It is very rarely that a solicitor has much to do with the formation of these societies.

6485. Is it the case frequently that the same firm or the same person is the solicitor to a number of societies?—Yes, frequently, because we have great difficulty with the Liverpool Law Society: they object to make any agreement at all. In fact it has been brought before a committee of the Law Society that many solicitors will agree to the five guineas per deed, taking them at a fixed rate all round. One gentleman in particular, who is connected with a great number of societies which I am connected with, is not a member of the Law Society, because they will not sanction any fixed agreement. Many solicitors will not take the appointment of solicitor to a society, with the arrangement of charging five guineas a deed. I am perfectly aware that in Manchester, and in Lancaster, and I have heard also in Stockton-on-Tees, and other places, they take two guineas, three guineas, and four guineas. My own impression is that five guineas pays them amply.

6486. The rules of the profession require a higher charge in Liverpool?—Yes. And very often we cannot get them at all. Many solicitors, when they are offered the solicitorship of a society, say, "No, we cannot in justice to our clients take a fixed rate, "because those are not the proper charges." We are anxious to get the lowest charge we can, but still we wish to pay our solicitors properly, and according to what is considered respectable in Liverpool.

6487. Are there practically solicitors in Liverpool who undertake the business of the societies?—Yes. I can name some. Mr. J. P. Harris is solicitor for a great many societies that I am connected with. He takes five guineas a deed and costs out of pocket; that is the arrangement. He is entitled to charge one or two guineas more where the title is particularly troublesome, if he can satisfy us that he is not doing anything unreasonable.

6488. Can you give the Commission any particulars as to the permanent societies with which you are connected?—Yes.

6489. How many are there?—I have the report of one here (*producing the same*). It is called the Roscoe Society; it is 22 years old.

6490. Is that a fair sample of the rest?—We consider it rather a small one. I am not sure that it is a fair sample. The "Commercial" one of those other cases which you have before you, would be probably a fairer sample.

6491. What is the number of members of the "Commercial Society"?—163.

6492. And there are 2,219½ shares?—Yes.

6493. The society was established in March 1859?—Yes.

6494. And the shares are 10*l.* each?—Yes, they are 10*l.*; that is the popular amount in Liverpool, for the facility of members with small means taking shares.

6495. You take both paid-up shares and shares paid in instalments?—The payment is 5*s.* per share per month, and we allow members to pay in advance if they wish to do so. If they wish to pay the whole 10*l.* at once, we do not object to it, and we allow them a proportionate interest.

6496. Have the rules of your society been certified by the registrar?—Yes, they were duly certified in 1859.

6497. Is there anything in the rules that allows the

shares to be fully paid up?—Yes. It states that subscriptions may be paid by the month, and payments may be made in advance.

6498. Are you aware that there is a provision in the Building Societies' Act which is considered to prohibit paid-up shares?—I think it is a mistaken construction of the Act. It says they may be paid up by subscriptions of not exceeding 1*l.* per month, but I do not see anything in that to prevent their being paid in advance. It is only necessary to fix the amount of the subscriptions we require as the minimum. We do not receive less than 5*s.* per month as a minimum.

6499. At any rate you evade what has been considered to be the right interpretation of these words, by receiving payments in advance, in the same way as the terminating societies?—Yes, we receive payments in advance, and I may say that the construction you allude to has only been attempted to be put on the Act during the last year or two, and I believe it is perfectly erroneous. It is an absurd crotchet, in my opinion, raised by the lawyers. I can only imagine that explanation of it.

6500. How many of your shares are paid-up shares?—I think the great bulk are now paid-up shares. You will see the number of shares and the amount of the capital in the report you have there. The capital is 9,200*l.* paid in, and there are 939 shares, so that the great bulk are paid up. The society was established in 1859. It would take 40 months to pay them up at 5*s.* per month. A great many of the shares have been paid up many years since. The greater number were paid up in monthly instalments originally. Still I have no doubt that in some cases the 10*l.* per share has been paid in one sum, and I cannot see why that should not be considered perfectly legitimate, in the case of shares of a small amount like these. I may explain that, when the original Act was passed, all the shares then in existence were 120*l.*, or 100*l.* shares, upon the terminating principle, so that monthly instalments seemed more appropriate. There were no permanent societies in existence at that time, consequently when the latter were established, the shares were fixed at 10*l.* per share, with payments of from 5*s.* to 1*l.* per month, as the rule might direct.

6501. What is the interest allowed upon the investing shares?—You will see the dividends in the paper before you. The dividend has been at the rate of 6 per cent. per annum. We have paid that from the commencement to the present time. Some portion of the time we paid a little more. We paid 7 per cent. for the first four or five years.

6502. I see that you pay no dividends until the share is fully paid up?—It is so, that is one of our rules. The late registrar always put a clause into the rules prohibiting our doing otherwise, and we have always adhered in all the Liverpool societies strictly to the wording of the Act of Parliament in that respect. We have never paid a dividend until the share has been fully paid up.

6503. You have a reserve fund in this society of 520*l.*?—Yes. The reason is that we advance, say, 100*l.* to a borrower, and only give him 80*l.* in cash, and the balance of that amount, which is the premium, we lay aside to the reserve fund, because if we divided it at once it would impoverish future years. It is laid aside to equalize the dividends.

6503a. What is your practice with respect to advances? do you charge a fixed rate of premium?—No. We have several ways of repaying them. Some are spread over 10, 15, 20, or 25 years. We vary the premium according to the number of years. We charge generally 5 per cent. interest, and in some cases we charge 6 per cent. interest. When we charge 6 per cent. interest, we charge only a very small premium, perhaps 3*l.* or 4*l.* to the 100*l.*, but when we lend for a long term at only 5 per cent. interest, we should charge a larger premium.

6504. What would be the premium then?—In many cases we have charged 12 per cent. premium. I think

*Mr. J. Hosking*  
*Mr. T. E.*  
*Priest.*  
 19 May 1871.

the greater part of the mortgages have been at 5 per cent., with a 12½ per cent. on the 100*l*.

6505. On what is the interest calculated?—It is calculated upon the gross amount advanced. We strike a balance every year. The first year it is charged upon the 100*l*. The next year it is charged upon the balance remaining as stated in the report. You will see the amount owing on every advance of money. For the second and following years, we charge the interest upon the balance owing, at 5 per cent. or 6 per cent. per annum, whatever the rate has been.

6506. What is the rate of monthly repayments?—If it is spread over 25 years, we get 1*s*. 2*d*. per share per month upon a 10*l*. share. They vary up to about 2*s*. 2*d*. per 10*l*. share per month. A 10 years' scale would be 2*s*. 2*d*. per share per month, or 13*l*. per annum, including principal and interest.

6507. 13*l*. per annum per cent?—Yes, or 25 years at 7*l*. per cent. per annum, and that being a light payment, it is a favourite scale with our borrowers.

6508. That includes both principal and interest?—That includes both principal and interest; we only charge upon the balance, the remainder goes to reduce the balance yearly. The great bulk of these mortgages are upon the 25 years' scale.

6509. Have these rates been calculated by an actuary?—No; they have nearly all been calculated by myself originally, when the society commenced.

6510. Have you ever paid a higher dividend to the investors than 6 per cent.?—We paid a dividend of 7 per cent. in the early period of the society. As we went further on, we were dubious of continuing that, and we reduced it to 6 per cent. The fact is, that in Liverpool now different societies are paying all rates, from 4 per cent. to 6 per cent. We are satisfied that we cannot continue paying anything like 7 per cent.

6511. Does it ever strike your members that the dividend which the members receive beyond a certain point is so much out of the pockets of the borrowers?—Certainly. It is an internal transaction in all building societies, between the different members of the societies. Sometimes the borrowers get the best off and sometimes the investors; it is just an internal matter amongst themselves; the precise rates are perfectly immaterial.

6512. Except that the borrower may be more in need, and therefore may get the worst of it?—In some cases the borrowers get their money too cheaply, that is our impression. There has not been a sufficient provision made for losses or disadvantages. We cannot do business, however carefully the business is conducted, without a failure now and then; there is always a risk of a man not meeting his engagements. In this society the borrowers have met their engagements very punctually, and it has worked very satisfactorily; we are not in possession of one forfeited property, as we call them technically. The borrowers have met their engagements, and therefore we have not been obliged to take possession of any properties.

6513. What is the rate of fines?—5 per cent. per month, or 1*s*. in the pound per month upon the arrears owing; but we have very few cases of people being in arrear. We fix that high rate of fines in order to keep people up to the mark, and induce them to meet their engagements.

6514. It is 60 per cent. per annum?—It is, but I think at the last meeting there was only one borrower in arrear, and he was in arrear only one month's or two months' payments. The same is the case with the investors.

6515. Have many cases occurred in this or in your other societies of payments having failed and fines also, and the properties falling into the hands of the society?—We have had more than has been pleasant. In Liverpool, in the last three or four years there has been great depression. At present we have over 8,000 houses unoccupied within the borough of Liverpool, according to the recent census. The locality has been overbuilt. All our societies are extremely careful as to what business they are doing at present.

There has been great depression in business, as is well known in Liverpool, for the last four or five years, and there has been rather too much overbuilding; but our societies do not encourage the builders. Speaking generally, in fact it is quite the reverse,—we avoid them.

6516. Do you receive money on deposit?—Yes, though I do not think we have any money in the Commercial Building Society on deposit, or if there is any it is very trivial. We only receive loans in this way: supposing we have but 200*l*. in hand, and one of our members wants to borrow 600*l*., then we borrow the other 400*l*. from the bankers in a temporary manner. I think just at present we owe 200*l*. or 300*l*. to our bankers in the case of that society; but generally speaking, the terminating societies in Liverpool borrow more than the permanent societies, because they are constituted so that they must do their business in the early part of the existence of the society. A borrowing power is of vital importance for the terminating societies.

6517. Do you think it is valuable for the permanent societies?—It is very valuable for the permanent societies in this way: occasionally we have an extra demand from our borrowing members, and we should have to turn away our own members, unless we were to anticipate the funds. I do not think that the building societies generally could at all work satisfactorily without borrowing powers, but as far as Liverpool goes, the present limit permitted under the Laing *v*. Reed case is sufficient for us; in fact, we never reach anything approaching that.

6518. What you want is a temporary loan?—That is the case with many societies; but my own impression is that if we borrowed more it would be better for our societies, in this way: a great number of people would like to lend the money to us at 4 per cent. interest, if they could have a priority in withdrawing from the society; that is to say, they would make a sort of savings bank of it. They can only get 2½ per cent. at the Post Office Savings Banks, and 3 per cent. at the ordinary Savings Banks; but we can well afford to give them 4 per cent.; that is, supposing that according to the rules we could give them a priority in taking their money away. Then they would pay their money in, and take it out when they wanted it. There are many London societies doing that. If there is to be any new legislation on the subject, the power to issue preference stock, or to have a loan in that way, would be extremely valuable. It would be profitable to the permanent members of the society, and it would satisfy many others who put their money in it for a sort of temporary purpose.

6519. The security would be the funds of the society?—Yes, those depositors having a priority of withdrawal. If we had 5,000*l*. deposited at 4 per cent. interest, and we had 5,000*l*. of ordinary capital, the facility of withdrawing the loans would satisfy the depositors, and it would create a greater profit for the other 5,000*l*. of ordinary capital. The society can get upon the average, say, perhaps, 6 per cent. in its transactions with its borrowing members. It would only pay 4 or 4½ per cent. upon the deposits, and therefore, so far as that capital went, it would increase its profits, and I do not think it would injure anyone. We do not employ loans so extensively in Liverpool as I individually could wish, and as I think would be useful for us. Some of the London societies do it extensively now, and my own impression is that they do it very legitimately. I just mention this, because the late registrar used to certify preference shares, and then afterwards he had some doubt whether we ought to issue preference shares. My own impression is that if there is new legislation, a power to issue preference shares at a reduced rate of interest would be a very important element in the working of these societies. We should give 4 per cent. interest, and a guarantee of the capital.

6520. Do you wish to see a limit imposed?—No, I have no desire to have a limit at all. I would rather see the power quite unlimited. I have seen the report



*Mr. J. Hosking.  
Mr. T. E.  
Priest.*

19 May 1871.

of one large London society which has probably been before you, where they have had a large mass of money on loan, paying 4 per cent. interest upon it. I certainly should like to introduce the system as far as possible in Liverpool, because I think it would be to the advantage of all our societies. There are numbers of people who, for the facility of having their money quickly, and in priority to the ordinary members, would take less interest; it satisfies them, and is as legitimate a transaction as any portion of the operations of a building society. It would create a greater profit for those members who remain; it might give them 1 per cent. more annual profit.

6521. To give any proper security there must be a limit to the borrowing powers, must there not?—If it is stated in the rule, that you are only to borrow for the purposes of the society, as defined by the Act, that would be sufficient, because a society could never borrow except to supply a borrower—they cannot borrow for any other purpose—their powers are clearly defined. They can only lend upon the security of freehold or leasehold property. I think it would be quite safe to leave the power without a limit. I may mention that the greater portion of our Liverpool societies are satisfied with the Act as it is at present, except Mr. Lloyd Jones and Mr. Reay, who attended before you, and some others, who thought there would be an improvement made by some new legislation. Mr. Priest and I represent the original association, and we take a different view. We have rather an attachment to the old Act, partly, perhaps, as having emanated from Lancashire, in fact from ourselves, and we strictly adhere to that Act in the working of our societies. We think that any new legislation would create this difficulty. From 1836 up to the present time there have been numerous decisions at law upon almost every line of our Act of 1836, by which means nearly everything has been defined and made clear. If an Act is passed like that which was brought forward last session, with a great number of new words in it, almost every sentence having a perfectly different wording, it will take another 30 years before we shall get clear of the lawyers—before we shall get to know the meaning of the Act. If any legislation is desired, we strongly wish that it should be only in addition to that Act, by a few clauses appended to it. Up to recently, we thought that no new question could arise under that Act, which had been so fully developed by those decisions, but recently we seem to have been attacked, and doubts have been raised upon every possible point. Doubts have been raised as to whether a member could pay more than 1*l.* a share,—a question which was never raised before, and which ought never to have been raised, in my opinion. Whatever is done, we are very anxious that it should be done by addition to the present Act, and we submit to your consideration if it would not be safer to the societies generally to do it in that way. If you recommend any alteration in the present law, this is what I am desired to lay before you particularly. From 1836 to 1868 there was not the slightest alteration in the law affecting building societies, and the only alteration which has been made since then is contained in the 112th clause of the Stamp Act of 1870. According to the vague wording of that clause we are compelled to put stamps upon the nominal amount secured by our mortgage deeds.

6522. Out of the total number of building societies in Liverpool what proportion does your association represent?—It is rather difficult to give a definite reply to that question. Our association is supposed to consist of representatives of every building society in the town who choose to come forward. We have strictly confined ourselves to the one matter of defending the Act of 1836, and consequently our meetings are not numerous, and it is only when a case arises when legislation is imminent that we have any meeting at all. It is in fact simply a defence association, for action when necessity arises. Those gentlemen who have been before you from Liverpool were connected with us formerly, but their impression is that there might be some improvement by new legislation. The

impression of those of us who remain in the old association is, that the present legislation is generally satisfactory, except with regard to some small matters which may have been pointed out to you.

6523. Can you tell us at all how many building societies there are in Liverpool?—As near as I can tell, there are from 150 to 180.

6524. Does that include both the terminating and the permanent building societies?—Yes, that includes both the terminating and the permanent building societies. I do not think there are less than 150, and I scarcely think there are more than 180. The numbers fluctuate a little, in consequence of the terminating ones continually terminating, from the natural effluxion of time, and others arising in their place.

6525. Upon what have you founded your opinion as to the number of societies?—There are what we call amongst ourselves different "connexions" in the town; for instance, there is Mr. Priest's connexion. Mr. Priest's is the oldest connexion. His father commenced the societies about 1822 or so, and he has a connexion that clings round him, and has confidence in him, and had confidence in his late father. I could give the names of the different secretaries, and I have formed the estimate of the number of societies from communications with them, and from seeing their annual reports.

6526. Is the terminating principle giving way in Liverpool to the permanent principle?—It did give way sometime since, but latterly there has been rather a reaction in favour of the terminating principle—the reason being this, that things are brought to a point in the terminating societies, and they are actually closed up, whereas the permanent ones have been a little too sanguine, and paid higher dividends at the commencement than they ought to have done, and now they are feeling the effects of it.

6527. Are the members of your permanent societies more or less of the labouring class than those of the terminating societies?—Comparing the permanent societies with the terminating ones, I do not think there is very much difference in that respect. I think the terminating ones come under the head of rather more legitimate societies, strictly speaking, looking at the smaller amount of their transactions, than the permanent ones. There is more scope in the permanent societies perhaps for extensive transactions than in the terminating societies.

6528. You mean by "extensive transactions," large advances I suppose?—Yes; they are more susceptible of making large advances in the permanent societies, if they happen to have a large accumulation of cash which it is difficult to get borrowers for. In Liverpool, house property has been a little in disfavour, because we have such rigid sanitary arrangements. The health committee of the corporation have been doing all they can to improve the health of the town, and have been very oppressive upon the owners of cottage property, and have created rather a prejudice against buying that class of property. The permanent societies, generally speaking, are, therefore, a little more open to large transactions than the terminating ones.

6529. In the permanent societies with which you have been connected, can you remember any instances of large advances which you can give us?—I think, taking the societies of which I am chairman and of which you have the reports, about 4,000*l.* has been the most extensive transaction we have had.

6530. What were the circumstances of that advance?—We had an accumulation of capital, and we either had to refuse taking money from our members, or to find employment for it. We get tempted occasionally to make large advances through the difficulty of getting securities. For the sake of getting them, we might go a little out of what we consider our strictly legitimate business in that way. Supposing one of our members saw a property connected with his business which he was anxious to get, if he bought it and gave 4,000*l.* for it we might lend him 3,800*l.*; but that would be quite an exceptional case.

*Mr. J. Hosking.  
Mr. T. E.  
Priest.*

19 May 1871.

6531. What was the position or occupation of the person to whom that advance was made?—This particular transaction which I alluded to was out of Liverpool, it was the case of a person in Dublin. They have no building societies in Dublin, or scarcely any. A member was therefore anxious to get an advance upon the building society principle, and he asked whether we would make him an advance, which we did in that case.

6532. What was his occupation?—I think he was a dealer, a shopkeeper in Dublin.

6533. How could you judge of the value of the property?—We sent a surveyor over there to examine it.

6534. How was your surveyor, being a Liverpool man, a fair judge of Dublin property?—As regards property in a fair position in Dublin, I should think a person would have a similar judgment upon it to what he would have in Liverpool, to a certain extent; and we had a local surveyor in Dublin as well,—we did not trust to one surveyor only.

6535. Do your societies frequently make advances on property out of Liverpool?—Very rarely, and from the little experience we have had in that way, we are very unwilling to make any advances out of Liverpool, except within a radius of four or five miles. It is only very exceptionally indeed that that is done.

6536. Are there any land societies in Liverpool?—There are some land societies in Liverpool, but they are not under the Benefit Building Societies' Act. There was only one, I think, commenced in Liverpool, under the Benefit Building Societies' Act, and that we considered rather a failure. The benefit building societies were commenced in Liverpool chiefly on the terminating plan, and they obtained public confidence, but when they tried to introduce the land society system it was a failure.

6537. Have any of your building societies had any connexion in any way with the land societies?—No, not at all. I have had a very large connexion, and I have not been connected with a land society, nor has Mr. Priest; in fact there has been only one land society commenced in Liverpool at all, that was perhaps about 20 years ago, and it did not succeed; it was half a political society to make votes; it was a small matter, and it was quite a failure, people did not take to it; so we have exclusively benefit building societies, of which there are many of moderate size. That is the position we are in at Liverpool. I may mention with respect to the Liverpool societies, and I believe it applies to the Lancashire societies generally, that the principle we work them upon is this. All the officers go out of office annually, that is, the committee of management, and the annual meeting elects a new committee, so that the members have the most immediate hold upon the government of the society, and each member, whether he holds one share, 10 shares, 15 shares, or 20 shares, has only one vote. A man who holds 10*l.* in a society has the same vote as a person who holds 100*l.* or 200*l.*

6538. Are the meetings largely attended?—It depends a great deal upon whether the society is working well or not. For instance, in the Commercial Building Society, I think that the numbers present at the last annual meeting would not exceed 30; but then it is paying a very fair dividend, in fact the maximum dividend which our societies pay in Liverpool at present, namely, 6 per cent. If the dividend were reduced to 5 per cent. or 4 per cent., we might have more members attending to ask for explanations; but a copy of the report is sent out before the annual meeting, and it states distinctly where the annual meeting is to be held, and that the officers will have to be elected.

6539. If a society is prosperous, the re-election is a mere matter of form?—Perhaps three-fourths of the officers might be re-elected, but it is perfectly open to any member to come to the meeting. The re-election of the officers depends upon the confidence the members have in them.

6540. (*Mr. Roundell.*) You have stated, I think, that as a rule in Liverpool the speculative builders are

not encouraged in these societies?—I said that in those societies that I was connected with (and Mr. Priest said the same as regards those he is connected with), I discouraged them; but there are some connexions which do not discourage them. There are some which we consider rather builders' societies—we call them so amongst ourselves to a certain extent—that is to say, they are not so strict in avoiding the builders as we are.

6541. Is there not some risk of the societies being misused, if transactions with speculative builders are encouraged?—We are very unwilling to have transactions with them; speculative builders have mostly very little means, and if we entered into any transactions with them we should have annoyances or troubles. We should have properties thrown upon our hands, and things of that sort. We are very unwilling to have to do with them at all. We like them to sell to private individuals, and for those private individuals to come to us for mortgages.

6542. What I want to know is, as a matter of fact, how far the building societies in Liverpool are used by speculative builders for their purposes?—With the exception of the Welsh connexions, very few have transactions with speculative builders.

6543. Speaking quite roughly with reference to your societies, are the major part of the members persons of small means, we will say of the labouring class?—Yes, the major part of the members are persons of very small means.

6544. Most of those cases which have been referred to of large advances, I understood you to say, were cases of advances to persons originally of small means, who had raised themselves?—It is so, speaking generally.

6545. So that it is not the case that persons of large means originally are benefitted by these societies?—That is not the case in a general way in Liverpool. Our Liverpool transactions may appear larger than those of other places, for the reason I have explained, that we cannot get small lots. A man is compelled to buy a larger number of houses than he wants to buy, because the houses having been built by a builder, he is compelled by the builder either not to take the property at all, or take the lot as it stands. He puts very little money in it at the time. It requires the savings of 20 or 25 years afterwards to enable him to clear the property from the claim of the society. Fully 90, or more than 90 cases, out of 100, are what we consider perfectly legitimate transactions under the preamble of the Act of Parliament.

6546. I presume that these large advances depend upon the state of the funds of the societies, and are not necessarily connected with the use of the borrowing powers?—It depends upon the state of the funds usually. The fact is, that the benefit building societies to a certain extent have become so very popular as investing funds, with a number of small members, that it is difficult to get securities in small amounts sufficient to take the money off, and occasionally the committee of management may make a larger advance upon property. They try to keep to small lots, but sometimes they take a larger one.

(*Mr. Priest.*) Sometimes we are utterly at a loss for borrowers, and when they do offer themselves, of course we must be ready to anticipate our funds if necessary, with a view to securing them. That is the reason why we want the borrowing powers.

(*Mr. Hosking.*) Yes, that is the object.

6547. And your opinion is decided against any limits being placed upon the borrowing powers?—My own opinion is very strongly against any limitation; not but that the Liverpool societies might do with the present limitation, but I do not see why we should wish to restrict other people. I believe the powers would be used quite legitimately without a limit at all, because any amounts borrowed can only be applied to the purposes defined by the Act, which gives increased security, through the money being lent upon mortgage.

6548. That, I presume, is what you rely upon, that



*Mr. J. Hosking.  
Mr. T. E.  
Priest.*

19 May 1871.

the money is secured by mortgage, and you think that that is a sufficient security?—I think that that is a sufficient security. When it is once put in a mortgage we have an absolute security, which is perfectly legitimate under the intention of the Act. I allude to this point particularly, because I know the power is valuable to many societies in other towns, and I am very anxious individually to extend the small deposit system to Liverpool, believing that it would be very popular with the great quantity of people there who are in a small way.

6549. Speaking generally of the societies, you do not apprehend any mischief that may arise from an unlimited borrowing power being granted?—I do not see that it is possible that there can be any mischief from it. The committee, who are elected annually in Liverpool, govern the society, and no trustee does anything without the express direction of the committee in writing, signed by the chairman and the secretary, and consequently without the actual direction of the committee no borrowing or any other transactions of the kind can take place.

6550. Then, as to another point, you appear to be strongly in favour of a branch of these societies being used for savings banks purposes?—Yes. I think it is a most valuable element, which has been greatly neglected in our locality.

6551. Do you, in any of your societies, offer facilities for tradesmen and others using these societies as a kind of bank?—No. We have not done that in Liverpool; that is what I am anxious to introduce if possible.

6552. You wish to introduce it?—Yes. I wish to introduce it; but what they do is this: if a member has 50*l.* or 40*l.* to lend which he does not want to put in shares, we take it as a loan for that small amount, and pay him 4 per cent. interest, and repay him when he desires it.

6553. Do you contemplate giving him a power such as there is in the case of an ordinary bank, of drawing upon this sum invested by a cheque?—No, not by a cheque. We simply give as a security a promissory note signed by the trustees.

6554. What I ask is, would you wish to see power given to enable these investing members to draw out by cheque within a certain limit from the funds which they have invested, using the society in fact as a kind of small bank?—I think it would be a very valuable element, and I should be very glad for that element to be introduced in that way.

6555. If you wish to see the functions of these societies extended, it does not seem to me to be quite consistent to say that you wish to stand by the old Act, without further legislative powers?—We have a power under the present system of borrowing to the extent of two-thirds of our amount on mortgage. The present registrar will certify a rule to that effect, following the decision in the *Laing v. Reed* case, which was decided in the Court of Appeal, and which governs all these cases.

6556. But you said, I think, that you were content practically with the existing Building Societies' Act?—Yes. As far as the working of our Liverpool societies goes, taking our past workings and the present power to borrow, we are, generally speaking, content; that is, we object to new legislation, or legislation using entirely new words, such as was brought forward last session; but if it is thought desirable to have a little additional legislation, to give additional facilities, we should like that to take the form of an addition of a few clauses to the present Act.

6557. Your object, I suppose, would be equally met, would it not, by having a consolidation of the existing Building Societies' Act, which incorporate, to a certain extent some of the Friendly Societies' Acts, with these additional facilities?—The Act that was brought forward last session stated that it was for consolidating, but I cannot comprehend what consolidation is required when we have only one Act. We have only the original Act of the 6th & 7th William the Fourth, chapter 32, and that single 112th clause of the Stamp Act of last year.

6558. There are in fact, as you are aware, other Acts relating to friendly societies, and so on, with which the building societies are more or less connected?—By a clause in the 6th & 7th William the Fourth, chapter 32, certain Friendly Societies' Acts then in existence were incorporated and formed part of our Building Societies' Act, so that it is only one Act. It is as the wording of the Act states, expressly as if they were re-enacted, so that it is only one continuous Act.

6559. Would you not prefer, for the sake of intelligibility, to have all the provisions in existing Acts of Parliament which relate to building societies set out in full, that you might understand exactly by what law you are governed?—I think the present Act is satisfactory in that respect. There have been legal decisions upon nearly every point that is possible connected with it, and I consider that it is all one Act; and I am afraid, as I have previously explained, that the new wording would cause a great deal of litigation, and as we have most important interests (for there are a mass of savings connected with these societies all through the country), it is extremely important not to throw open a door to litigation for all these societies. That is our great objection to a hasty repeal of the present Act, instead of adding a few additional clauses if it is thought desirable.

6560. Are you in favour of any periodical investigation of the accounts of these societies?—I think it is perfectly unnecessary. I think that the members are perfectly capable of taking care of themselves, without having any protection by any public officer.

6561. Do your societies provide for an annual audit?—It is required by our Act of Parliament that there must be an annual examination of the accounts, and, statement of accounts issued to each member; that is done in each case. It is compulsory under the present Act.

6562. And that is done in fact?—It is done in all cases, in every building society in the kingdom.

(*Mr. Priest.*) That has been done for nearly 50 years in the office I have been connected with. I have never known anything wrong in that respect. Our societies have always gone on very well indeed.

(*Mr. Hosking.*) I have always known it to be done in every case, not only in Liverpool but all over the kingdom.

6563. If you had these extended facilities in the nature of savings bank transactions, you would surely require a stricter investigation of accounts?—The present mode is, that at a certain meeting in the year, defined by the rules, the members elect two of their number as auditors of the accounts. Every item in the accounts is strictly investigated by the auditors. They give their report to the committee at a special meeting of the committee convened for the purpose, and if the committee are satisfied they pass the accounts. Then they are submitted to a meeting of the members by which they are adopted. I never knew a case where the accounts were not perfectly satisfactory, either in Liverpool or in any other part of the country.

6564. Are you acquainted with the provisions of Mr. Cave's recent Life Assurance Act? I think it was passed last year?—No, I am not.

(*Mr. Priest.*) Clause 33 of 10th George the Fourth, chapter 56, states, "That the rules of every such society shall provide that the treasurers, trustees, stewards, or other principal officer thereof shall, once in every year at least, prepare or cause to be prepared a general statement of the funds and effects of or belonging to such society, specifying in whose custody or possession the said funds or effects shall be then remaining, together with an account of all and every the various sums of money received and expended by or on account of the said society, since the publication of the preceding periodical statement; and every such periodical statement shall be attested by two or more members of such society appointed auditors for that purpose, and shall be countersigned by the secretary or clerk of such society, and every member shall be entitled to

"receive from the said society a copy of such periodical statement."

6565. Does that include the state of the investments for the time being?—Yes, everything.

6566. (*Mr. Bonham-Carter.*) Do you believe that the societies generally consider that clause obligatory upon them?—We always furnish our annual accounts in Liverpool.

6567. Do all the societies in Liverpool furnish their accounts in compliance with that clause?—As far as my knowledge goes they do.

6568. As far as your knowledge goes, you believe that the societies generally hold that clause to be obligatory upon them?—Certainly, I know that I do it myself in every case.

(*Mr. Hosking.*) I believe they do so in every building society in the kingdom.

6569. But they make no return to any public department?—No, the clause does not provide for that.

6570. And there is no case of that clause being enforced against societies from without?—The societies act strictly in accordance with that clause, by issuing a report annually to their members, with all those particulars which are required.

6571. Do you know any instance in which members, in default of such a report, have endeavoured to enforce it under the Act?—I never heard of a case; no case has ever occurred in Liverpool, I feel confident, and I never heard of it in any other place.

6572. Is there any power under the Act of applying to any department of the State to obtain that information?—There is no part of the Act which alludes to that point, but the power is in the hands of the members. If they are dissatisfied with any of their officers' work, they can sweep them all away at the close of the year and appoint new ones. Occasionally they do that; it is entirely in the hands of the members.

6573. You made some statement with regard to the history of the Act, which you said emanated from Lancashire?—Yes.

6574. And I think you stated that it originated in consequence of the introduction of some bill with regard to the transfer of shares?—There was a proposition by the Chancellor of the Exchequer to charge a duty upon all shares in joint stock companies, that might be transferred from one person to another. I believe that was the proposition which was opposed in Liverpool and Manchester.

6575. And it was supposed by the benefit building societies that they would be treated as joint stock companies for the purpose of those transfers?—Yes, it was imagined that they might be so considered, as they were not incorporated under any Act of Parliament. That led to the Manchester and Liverpool societies joining together. They sent a deputation to Mr. Spring Rice, and he said that they deserved encouragement, and that he would exempt them from that Act, and that they ought to have a special Act to encourage them, and he would see to it. There were further interviews with the Chancellor of the Exchequer, and the result was that the draft of an Act was drawn up by Mr. Hewitt, I believe, a Manchester solicitor, and the Manchester people, in connexion with the Chancellor of the Exchequer or some persons whom he appointed. It was not passed that year; but in the following year an Act was brought in by the Chancellor of the Exchequer, or with his approval, and that Act passed.

6576. From what source do you derive this historical knowledge?—I derive it from Mr. Priest's father, Mr. William Priest, who was connected with the getting up of the deputation in Liverpool. Mr. William Priest is deceased, but he told me the facts personally. I know that he had one society in existence of which he was the secretary in 1827, and this occurred in 1835. He personally gave me that information.

6577. You stated that the then Chancellor of the Exchequer, as far as you can learn, gave as a reason for the encouragement of the benefit building societies that the country was sustaining considerable loss from the rate of interest given to the savings banks?—

It was sustaining a loss,\* that was the reason he gave why he thought these societies deserved encouragement, because they would lessen the loss, and would become a vehicle for savings, and be of advantage in a financial point of view.

6578. As far as your impression goes, the then Chancellor of the Exchequer contemplated the extension of these societies as in the nature of savings banks?—Yes, certainly; and I may mention that in the year 1855, I was acting in the same position as now as chairman of our association, when the proposition was brought forward to deprive us of our stamp duties. It passed through the House of Commons by a surprise, but we defeated it in the House of Lords. Lord Montague then spoke strongly in favour of our societies, and said that he had intended us to have the exemption originally. He made a speech in the House of Lords in 1855 upon it. It was when Mr. Sotherton-Estcourt brought forward the Friendly Societies' Consolidation Act in 1855, and the then Government put a clause in depriving us of our exemption from stamp duties. That was found out by accident, and a deputation from the different towns went up to London about it, and although we could not succeed in the House of Commons, we defeated it in the House of Lords, and threw the clause out. Lord Derby spoke very strongly in our favour at the time. The Marquis of Westminster, Lord Ellesmere, and Lord Montague also spoke for us. I was in the House, and heard the speeches. Lord Montague said that he distinctly intended our societies to have the exemption, and that he was very proud of the success of the societies. That was when his lordship's attention was directed to the matter; he was waited upon about it.

6579. (*To Mr. Priest.*) Was the condition of the benefit building societies in 1835–36 such as to be fairly described by the preamble of the Act of 1836, that they were for the purpose of raising, by small periodical subscriptions, a fund to assist each member in obtaining a small freehold or leasehold property?—They were then formed exactly upon the same principle as those with which I am connected now.

(*Mr. Hosking.*) That is perfectly correct.

(*Mr. Priest.*) The shares were 120*l.* each, payable in sums of 10*s.* per share per month.

6580. (*To Mr. Hosking.*) You stated that Lord Montague was desirous of relieving the Government from some of the charges which were created by the larger amount of interest which the Government paid to savings banks than they could realise?—That was the reason. My information to that effect was from the late Mr. William Priest, who had been practically connected with the bill, and in being reminded of it, Lord Montague assented in 1855 to the statement, and said that that was correct.

6581. The conclusion is then that he looked upon these societies as somewhat in the nature of savings banks?—He did.

6582. Certain exemptions, and certain advantages are given to savings banks; but is it not true that the savings banks have those advantages on account of their being supposed to be for the benefit of the labouring class, and that a limit has been put, whether successfully or not, in order to confine them to that class, upon the amount of the savings in the banks?—I believe that the amount of savings deposited by any one person in the year is limited in savings banks.

6583. I suppose the Government thought it desirable to give an advantage to the savings of the working class, and therefore put that limit for the purpose of confining the advantage of savings banks to that class; would it not follow that if the Government proposed to give an advantage to the benefit building societies by way of a substitution for the savings banks, a limit might naturally be put to the advantage conferred upon them by way of exemption?—The object of the Chancellor of the Exchequer was to extend the advantages of savings banks, and other advantages which for the first time were laid before him as belonging to building

*Mr. J. Hosking.  
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19 May 1871.*



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societies, so as to enable the industrious classes, (I believe that is the term used in the Act,) to acquire property, knowing that it was a good measure in a political point of view, as well as financially useful, to enable people to get an interest in the laud of the country to a moderate extent.

6584. Is it not a fair deduction that if the savings banks' legislation was intended for the benefit of the industrious classes, and had limits imposed to confine it to them, it was also in the contemplation of the Legislature in allowing advantages to benefit building societies that there should be some limits imposed, to confine those advantages to the industrious classes?—I believe all the members of the benefit building societies belong to the industrious classes, using the words in their proper sense. If it were supposed that they are simply workmen, that would be an incorrect idea for this reason: a person who commences as a workman, gradually acquires some means. Take myself, for example; I commenced as a printer. I was first of all apprentice to a printer when I became a member of one of these societies, then I became a journeyman printer, afterwards I was a small master, and now I am in a more extended business, and I am a wholesale dealer. I cling to these societies as a manager and a trustee, knowing the great advantages they gave to their members. And I say this from my experience: if you had societies confined simply to labourers and workmen, they could never work them properly, they would have confidence in their employers, where they would not have confidence in labouring men to the same extent. There are considerable amounts which have to be entrusted to some one, and the societies would not be worked satisfactorily or with safety if they were confined entirely to labourers. I am merely alluding to the term "industrious classes." In our societies the members consist of labourers, artisans, shopkeepers, employers of labour, (using the term in a moderate sense,) and clerks, all of whom belong to the industrious classes. You will please to understand that I am speaking of Liverpool.

6585. May not the general course of legislation, with respect to savings banks and benefit building societies, be understood to be rather to enable those engaged in manual labour to become capitalists, it being intended that when they became capitalists they should be liable to the ordinary charges upon capital, and upon the enjoyment of capital? There must be some object in the limitations which are imposed upon them. Is not that the probable object?—The only matters upon which we have any exemptions at all now are internal transactions between the members and the societies. There is no exemption as between us and the outer world in any matter. If a member buys a property, he pays a full stamp duty upon the conveyance of 10s. per cent. If the society employs a tradesman to repair a property which belongs to it, a stamp is paid upon the receipt. We are simply exempted as regards internal transactions between our members and the society, which places us upon the level of one capitalist. Take the Commercial Building Society; their total capital is only about 10,000*l.*, which is what a single capitalist would have. We only wish to be exempt in the internal transactions of the society, and we have never been exempt in any other point.

6587. Whatever the exemption, was not it originally intended as an encouragement to the industrious classes to become owners of property and capitalists?—Decidedly.

6588. Having regard to the reduction in the stamp duties, is the exemption which now exists still so important as to make it worth while for the benefit building societies to treat it as a matter of great consequence?—I think it is, from the uncertainty attending the operation of the clause. As I explained in the case of one particular society, the Sixth Alliance, if a borrower comes in now, although he signs a mortgage deed for 100*l.*, he only gets 28*l.* 5*s.* in cash, but he pays the stamp duty upon nearly four times that amount. We object to the uncertainty arising from the wording of the clause as to the stamp which

should be put upon these deeds; it is like charging that deed with indirect expenses. I will illustrate it in this way. A person borrows from our society, say a nominal amount of 600*l.*; he requires another 50*l.* or 100*l.* at a later period; he has only got a stamp on his deed for 600*l.*, and he is obliged to have a further mortgage for that 100*l.*, because the deed only being stamped for 600*l.*, he must have another document for the 100*l.* additional, because otherwise it would make the total amount included in the deed 700*l.* There are questions of this kind which arise, which entail upon our members considerable expense, and impede the internal transactions of the society.

6589. A mortgage can hardly be called an internal transaction?—It is an internal transaction; it is simply that the society buys with its own money a property for which it gives 650*l.* out of 700*l.* A member purchases the property for 700*l.*, and the society lends him 650*l.*, that is to say, nearly all the purchase money, and he gives a security to his co-members to pay the money back.

6590. In some parts of England there is registration of deeds, and that may extend; surely if a mortgage were registered it would become a public document?—Yes, but I am afraid that would only add to the expenses of our societies. If there were registration of deeds, all our legal expenses would be the same as they are now, and we should have the additional expenses of the registration. That is my impression. If you will allow me, I should like to point out another matter that affects our societies greatly, in connexion with the point about stamps. I will illustrate it by a particular case. A person borrows the nominal amount of 700*l.* from one building society; after a little time he sells his equity for simply 10*l.*, and he has to pay stamps amounting to 4*l.* upon the conveyance, that is half per cent. upon the 700*l.*, and upon the other 10*l.* he has to pay 1*l.* stamp duty, although the real consideration is only 10*l.*, so that there are many cases where our members pay excessively. We do not complain about that so very specially, because the general law applicable to all mortgages is that you have to pay upon your mortgage. I only wish to point out that we are not exempt in these transactions; we simply ask to be exempt with regard to those internal transactions, which put us upon the same footing as a capitalist; which make us, as far as the outer world is concerned, like a man who has 10,000*l.*

6591. You state that you are satisfied with the existing state of the law, because it has been built into certainty by the great number of decisions upon it?—Yes, we are satisfied to a certain extent.

6592. Has not one of the recent decisions been with regard to the amount of stamp duty to be paid upon a mortgage?—No, that is under special legislation, namely, the 112th clause of the Stamp Act of 1870. That we object to. That is what we have been speaking about. That is under a special Act of Parliament, and we should like to be re-instated, by the repeal of that Act, in the position we were in from 1836 to 1868.

6593. So far then, the existing state of the law does not satisfy you?—Not upon that point. We are, generally speaking, satisfied, with the exception that we wish for the repeal of the 112th clause of the Stamp Act of 1870. We had not a fair chance of contesting it, and directing the attention of the members of Parliament to it, or we think we could have satisfied the majority that the exemption ought to be continued.

6594. What class of houses, as far as regards annual rental, do you build or your members generally purchase?—There are very few houses in Liverpool, where the working classes reside, that you can get for less than from 13*l.* to 18*l.* a year gross rental, but if a person is a tenant, the landlord pays his rates and taxes out of it, which takes off perhaps 25 per cent. of the amount.

6564a. (*To Mr. Priest.*) I think you said, do not tax this property whilst it is growing into ownership, but

tax the houses as much as you like when the man has them. Would you like to see the house duty extended to houses below 20*l*.?—I say, tax the owners of houses. This man, before he obtains possession of the house, is not able to pay, and he should not be asked to pay as an owner. He is not absolutely the owner of the house until he has paid off the claim of the society. In addition to his rental that he receives, he has to supply something out of his savings. When he becomes the owner of the property, let him pay the tax.

6595. (*To Mr. Hosking.*) That is, when he owns the property clear of claims. As a matter of fact the great majority of the owners of houses who have obtained them under the Building Societies' Act do not pay house duty, do they?—A house under 20*l*. a year is exempt of course.

6596. You think that no limit ought to be placed to borrowing. The limit to borrowing is, I suppose, intended for the security of the members?—Yes.

6597. But you have used certain phrases, to the effect that the permanent building societies have been a little too sanguine; you have stated that house property was a little in disfavour, and you have talked of depression and overbuilding; does not all that mean, that advancing money upon houses has a certain risk in it?—Decidedly; it has a certain amount of risk in it.

6598. And though, from the practice of your repayments commencing immediately after you have had a house valued and made an advance, you relieve yourselves of a great portion of the risk, yet when you come to borrow from the public and lend their money upon such mortgages, there may be a very large amount of risk to the investors?—There may be an amount of risk, but it would only be a risk of a margin; it would not affect the bulk of the capital. Take the case of the building society I have been referring to: if anything should occur to depress the subscriptions from 1,000*l*. to 900*l*., we should think that an extreme case. It is possible in all property to have a depreciation, but then it is spread over all the shares in our case, and it can only be a margin that can be affected.

6599. Do you at all consider that, if you have invested in a certain direction in Liverpool, where the increase of houses is of a speculative character, you ought to look out for property in another direction to counterbalance the risk?—Wherever our members think it advisable to purchase a lot they do so. It works in this way: one person who is a member with us prefers one end of the town, and another member prefers a different part,—for they all reside in different localities. A member makes an application, inquiring what we will advance upon perhaps four or six cottages at a certain place; then the committee decide the question, using the best of their judgment.

6600. Then in fact what I gather from you is this, that from your members being scattered all over Liverpool, and the securities being in all parts of the town, the risks which would arise from a depreciation in one part would be met by the absence of depreciation in another?—To a certain extent; there would be no risk as regards the great bulk of the property, I think only a small margin would be affected.

6601. And that you think would justify leaving the powers for borrowing unlimited?—I think so.

(*Mr. Priest.*) May I be permitted to make an observation? You seem to be under the impression that the mortgagor while he is paying off his mortgage does not pay any tax. Of course the only tax that an owner of property is liable for is the property tax, and that he pays. The house duty is paid by the tenant, so that he would pay the house duty if he lived in his own house.

6602. (*Chairman to Mr. Hosking.*) I should like to ask you a few questions with reference to the amount of the advances in some of your societies. I think you represent the Central Perpetual Benefit Building Society, do you not?—Yes.

6603. In their 14th annual statement for the year ending November 1870, I see one advance of

8,179*l*. 2*s*. 10*d*.?—Yes, I can explain that. Originally the mortgage was only for 1,000*l*. in cash, perhaps it might have been 1,100*l*. with the premium. I am not quite certain as to the exact number of shares. Unfortunately it got thrown on our hands, what we call forfeited, through the borrower being unable to meet his engagements. Then we were saddled with a piece of vacant land. We advertised it, and tried to sell it, and a person wished us to make him some advances, and in the hope of getting out of it we made advances of a temporary nature to enable him to get the buildings up to such a point that he could get a private mortgage. Unfortunately he failed in carrying out that matter, and we were compelled to carry it out ourselves. The original mortgage did not exceed 1,200*l*. at the most; we merely put it in that way in the report. We were compelled to finish the property. We are trying to sell it now in sections; in fact, since that report was issued we should one piece of it for 1,200*l*.

6604. Was it poor land?—Yes, it was a mortgage upon vacant land in West Derby.

6605. What was the acreage of the land—the size of it?—It might be perhaps four or five acres. It was in a country district called West Derby. We have given it the name of Huntley Park since then, and we have put rails round it, and are trying to sell it in pieces. But it arose in the way I have mentioned.

6606. Does not the total amount of 8,179*l*. represent very much more than the value of that land?—Yes, we have made advances since. There are two large villas and four small villas built upon it, but the person had gone on to a certain extent before he was obliged to stop. We had advanced perhaps 2,000*l*. upon it, and we were compelled to carry it out ourselves, or else let it all go to ruin. We were compelled to employ people to finish the building, and put the property in order.

6607. Have you had many transactions of that kind?—Very few indeed. In fact that is the only transaction of the kind.

6608. I see that that same society has made several large advances, varying between 1,300*l*. and 2,000*l*. in addition to the one which I have quoted?—Yes; we have had very few borrowers in that society. We have had a difficulty to get borrowing members. There is rather a peculiarity in this case. In some societies we have rather a surplus of borrowers, but there it was the other way. The advances are rather larger than the average.

6609. Perhaps the class of members in that society was rather different?—No, it just happened to be amongst investors. The fact is that many of our investors are rather disgusted with cottage property, because there are such heavy impositions upon the owners in the way of sanitary matters, which are rather unreasonable in some points.

6610. Referring to the report of the Fourth Alliance Benefit Building Society for the year ending 21st March 1869, I see, "Amount on loan to the Britannia Building Society, 500*l*.; ditto to the Central Perpetual Building Society, 300*l*." Are these transactions between different societies common?—It arose in this way: the Fourth Alliance Society had these amounts lying in the bank; those other societies were short of money. We banked at the same bank, the North and South Wales Bank, and we lent from one to the other, in order to keep the profit amongst ourselves, as a temporary matter, for three or six or 12 months. In fact I introduced that practice myself, thinking it would be to the advantage of both societies, instead of letting the bankers have the surplus of one society to lend to another society. We lend from one to another for six months, paying interest at the rate of about 5 per cent. for it.

6611. Were you chairman of all those three societies?—I am chairman of the Central, but not of the Britannia, some of our officers were connected with the other society.

(*Mr. Priest.*) The Fourth Alliance is a terminating

*Mr. J. Hosking.*  
*Mr. T. E.*  
*Priest.*

19 May 1871.



*Mr. J. Hosking.*  
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19 May 1871.

building society. When those societies get about seven or eight years old, the money frequently begins to accumulate, and unless the members withdraw, they are compelled either to ballot the money amongst the members, or, as they have done in that case to lend it, but it is a very rare transaction. I do not think I have known it to be done more than half a dozen times in my life.

6612. The rules almost invariably provide, do they not, that there shall be a ballot amongst the members?—They do.

(*Mr. Hosking.*) But in practice we are very unwilling to do so, because it is a sort of coercion which is unpleasant, to compel members to take the money whether they wish to do so or not; so that in that society, instead of coercing them under the rule, we preferred to lend it to another society, where we knew it would be perfectly safe until we could get employment for it.

6613. Is there not considerable risk in one society lending to another society upon securities of which the other society is the only judge?

(*Mr. Priest.*) It is wrong to do so, no doubt.

(*Mr. Hosking.*) I think it is perfectly correct. Having been the introducer of the system I am quite ready to defend it. I have only done it usually in cases where I have been chairman or trustee of both societies. My name would be to the promissory note from one society to the other, and I have the control of both. There is not the least shadow of risk. It is done for this reason, that instead of the banker paying us 1 or 2 per cent. upon the money placed in his hands by our society, we get about 5 per cent. for it.

6614. You consider it safe, because you are acting for both societies, and of course you have confidence in yourself?—Yes.

6615. But as a rule, and in principle, it is a very dangerous practice, is it not?—If it were laid down as a principle, perhaps it would be so, but it is at the risk of the trustees. The trustees would be personally liable for the money; we run that risk for the sake of the society. We knew there was no real risk, so we took the risk.

6616. Turning to another society, the Edge Hill Perpetual Benefit Building Society, I think you are chairman of that society?—Yes.

6617. In the accounts of that society for the year ending February 1871, several properties are mentioned as in the hands of the society for disposal: there are four freehold shops at the price of 900*l.*, and a second lot of freehold vaults at a price of 1,300*l.* I suppose in both cases those are properties which have been forfeited to the society?—Yes; we are anxious to realise, and we try to tempt our members to buy them, therefore we put them in our report, and give the information to the members, so that they may assist the direction in the sale of those properties which have come into the hands of the society, through the borrowers failing in business in each case.

6618. Do I understand that that has often happened in your societies or not?—Such cases occasionally happen in the societies. We cannot prevent our members going into new transactions after they have mortgaged to us, and it is in new transactions that they sometimes fail. You are liable to that in every business transaction.

6619. I suppose you would consider that the society rather made a mistake in making advances upon these two properties?—Those two properties are in Birkenhead, and Birkenhead property has been depressed. In fact, on the Liverpool side of the river we have been nearly as depressed, but property is slower of sale in Birkenhead. Our Liverpool members will buy property in Liverpool, when they would not in Birkenhead.

6620. Is the Edge Hill Perpetual Building Society the same as the Edge Hill and Windsor Perpetual Building Society?—No, they are perfectly distinct; they had originally partly the same members, and partly the same officers.

6621. I see, in the accounts of the Clarendon Perpetual Building Society for the year ending April 1870, there is another instance of a loan to the Edge Hill and Windsor society, amounting to 691*l.*?—Yes; as regards the Clarendon Society the number of members was rather small, and we had arranged some time ago gradually to close the society. It appears by that report that we had got sufficient funds, including the money lent to the other society, to leave the members their full 10*l.* a share, which, in fact, they have had since then.

6622. That loan having been repaid?—Yes, that loan having been repaid. Each member received 10*l.* a share and 7*s.* 6*d.* per share surplus, as is stated at the foot of the report.

6623. Is the Edge Hill society also closed?—No, that is going on all right.

6624. The Edge Hill Perpetual Benefit Building Society I mean?—It is not closed; but when we can sell these properties we intend to close it.

6625. It only consists of 21 members now, I see?—Yes, for three or four years we have been gradually closing that society. Though it was intended to be perpetual, it got reduced in numbers.

6626. Both of those societies were intended to be permanent?—Yes.

6627. For what reason have they failed?—They have not failed; it is only this: having been intended to have say 10,000*l.* capital originally, it has got rather compressed, the numbers have got rather reduced, in fact. The secretary of the society has not been getting new members in. We generally look to the secretary to get new members in, to make up for others going out, and it has been lessening; and when it got to a certain point, the members thought they might as well close the society, and take out their money, and remove it to another society. There are too many societies sometimes, and we wish to compress them in the same direction, and get the amount in full.

6628. (*To Mr. Priest.*) Looking to the ninth annual report of the Hercules Permanent Building Society, for the year ending February 1871, I notice in the list of members some holding a very considerable number of shares. The letter B indicates borrowed shares, I suppose?—Yes, it is a society I am connected with.

6629. I see W. H. Ashridge put down for 360 shares; that represents 3,600*l.*, I suppose?—Yes.

6630. What position is he in?—I really cannot tell you in what position he is. I can tell you that I sold the property to this person, and the advance that he got upon it was within 250*l.* of what he paid for it. Now you will find that the debt is reduced; he is now gradually acquiring the property.

6631. The debt now is only 2,474*l.*?—Yes. We advanced him within 250*l.* of the actual purchase money of that property. I happen to know that, because I sold the property to him myself.

6632. He is an owner of house property?—He is.

6633. He has 13 houses, I see?—He is not the owner of them yet.

6634. Are there other instances of the same kind in that society?—I think that the majority of them are under 500*l.* The number under 1,000*l.* is a very large proportion of the whole.

6635. There are nine cases of about 1,000*l.*?—That is out of 55 lots, I think.

(*Mr. Hosking.*) The amount stated as an advance is always in excess of the actual cash paid.

(*Mr. Priest.*) Yes. You will quite understand that there are the premiums included in these amounts.

6636. Is there any other point upon which you have anything to say?—I would like, if you would allow me, to give you the opinion of two of our solicitors to these terminating societies upon the question of the stamp.

6637. Will you state it shortly?—I will read their

letters: "In compliance with your request, that we would give you our views on the subject of the *ad valorem* stamp duty now imposed upon mortgages to building societies, we have to state that we have experienced much difficulty in arriving at any satisfactory conclusion as to the amount of the stamp the recent Act requires; and in a recent instance we had a lengthened correspondence thereon with a solicitor in London, who contended that the Act required a stamp sufficient to cover merely the actual amount advanced by the society to the member, whilst it appeared to us that it must be one to cover the total amount expressed to be secured by the mortgage, in which the member covenants to make his monthly payments until he has fully paid up his mortgaged share; consequently, if bound by the Act to pay a stamp duty on the full amount of the share (as we contend he is by the language of the Act), and not merely on the amount he receives from the society, he has to submit to that which, we think, the Legislature never contemplated. But beyond this, we think the imposition of any stamp duty whatever upon this class of mortgages is impolitic for the following reasons: First, the Act of William the Fourth, which first established and governs these building societies, was passed for the sole purpose of inducing the middle and lower classes of society to lay by and husband their small earnings, and procure thereby the means of purchasing and becoming the owners (in lieu of merely the tenants) of their respective residences, and one great inducement contained in the Act was, that these mortgage securities should be free from stamp duty, and they have thus remained until the recent Act, and in your great experience, as the secretary of these societies, you must have been convinced that the imposition of the stamp duty has had a very visible and deteriorating effect upon the societies, in the great reduction of their members. 2nd. That the effect of this reduction of the members must necessarily be a similar reduction of purchasers of property by the members, and consequently a loss to the revenue, inasmuch as the stamp duty on purchases is 10s. per cent., whilst that now imposed on these mortgages is only one-fourth thereof, or 2s 6d. per cent. Our Mr. Atkinson drew the attention of the present Premier, when Chancellor of the Exchequer, to this fact, and his intention of imposing a duty was afterwards abandoned by him, and we shall be glad to learn that the present Chancellor may likewise be induced to exempt these mortgages from all stamp duty, and thereby restore the benefits conferred upon those two classes of society by the Act of William the Fourth, which we have always considered one of the most politic Acts ever passed for securing their loyalty and welfare; as the moment they feel that they are owners, and not tenants, Chartism, and every other 'ism,' is banished from their vocabulary." Then there is another letter which is to this effect: "I understand you are about to give evidence before the Commissioners now sitting in London, on the subject of benefit building societies. I am solicitor to 15 terminating societies, and consequently have had considerable opportunities of observing, not only their advantages, but some of their drawbacks. Permit me to call your attention to the question of stamps. The amended Act says, all building societies' mortgages under 500l. shall, as was enacted in all cases by the 3rd and 4th William the Fourth, chapter 32, be exempt from stamp duty. This section presses very unfairly on purchased members in my societies, inasmuch as we are bound in our deeds to take the mortgage for the full value, say 120l. per share, that is to say, that if a purchaser required 495l. in cash, in some societies he would have to take up nine shares, and I should be obliged to prepare a mortgage for nine

times 120l. or 1,080l. In other societies seven shares would give the amount, and the mortgage would be for 849l. In either case my client must pay for an *ad valorem* stamp 80 per cent. more than if he obtained his mortgage from a private source; that is a great hardship, and I am sure need only to be brought before the Commissioners to be remedied. But in the case of a mortgagor wishing to dispose of his property subject to the society's mortgage, the hardship is more seriously felt, inasmuch as the stamp on the conveyance must not only cover the amount paid for the equity, but the amount on mortgage, and this appearing by the mortgage deed to be so many 120l., say 1,080l., where 495l. was only advanced, the stamp is most oppressive, as the sales of these equities are of daily occurrence amongst the working classes, the amounts actually changing hands being from 15l. to 50l. as as rule."

6638. (*To Mr. Hosking.*) Can you tell me a little more definitely, how many of the building societies of Liverpool you two gentlemen represent? I take it that your evidence is rather intended to be opposed to that which has been given us by Mr. Lloyd Jones and Mr. Reay. We should like to know, therefore, for whom you speak?—It is very difficult, as I explained before, to give you a definite answer to that question. I am chairman of 13 societies, and other officer of seven more, therefore I directly represent 20, which are now in existence, and Mr. Priest is also connected with a large number. I think I may say that fully three-fourths of the societies in Liverpool are satisfied, generally speaking, with the present position of matters. The gentlemen who have been before you were under the impression that there were some details and minor points, (I believe they were minor points, I will take the liberty of calling them crochets,) which might be altered with advantage. I think that is the only difference of opinion between us to a very great extent. Of course I do not know what they have stated to you.

6638. Is there any other point upon which either of you would like to say anything?—Will you allow me to point out that when the debate occurred in the House of Lords on the 25th of June 1855, Lord Derby made use of the following words, as reported in Hansard, that "It was not just, right, or fair to the parties, or honest as between the Legislature and the industrious classes of the country, to take away from them exemptions under which they had entered into engagements and subscribed money." That was the remark Lord Derby made at the time the House of Lords rejected the bill. The matter was brought forward about a month afterwards in the House of Commons on the Stage Carriage Bill. The proposal was then defeated, and had to be withdrawn, and if it had gone to a division there would have been a majority of about 40 against the then Government. The matter was left at rest for five years, and in 1860 Mr. Gladstone, in his rather famous budget, brought forward a proposition to deprive us of the exemption. It was fully explained to him and to Mr. Laing, the Secretary to the Treasury, and it was unconditionally withdrawn from the budget, and until the year 1868 nothing was brought forward affecting us; but on the 1st of July 1868 a clause was inserted in the Inland Revenue Bill, which we did not hear of until it was too late. I and some others came up to London, and in 1869 we directed Mr. Lowe's attention to the matter by a deputation, but we could not get any decision as to the consideration of the matter until October 1869, and then the Government declined to alter it; that is just the position we are in. The clause is included in the Act of 1870 for the consolidation of the stamp duties.

(*Mr. Priest.*) The clause had actually passed the House of Commons in 1868 before we got to know of it in Liverpool.

The witnesses withdrew.

*Mr. J. Hosking.*  
*Mr. T. E.*  
*Priest.*  
19 May 1871.



*Mr. J. A. Binns.*  
*Mr. C. Lund.*

19 May 1871.

Mr. JOSEPH ARTHUR BINNS and Mr. CHARLES LUND examined.

6639. (*To Mr. Lund.*) I think you speak on behalf of some building societies at Bradford?—I can only speak on behalf of the society to which I am secretary, 6640. Is that the Bradford Third Equitable Society?—Yes. I have no authority to speak with respect to any other society, but I can give some figures.

6641. (*To Mr. Binns.*) Do you speak for the same society?—I do.

6642. And for no other?—And for no other. Mr. Lund speaks in fact in his character of secretary, and I in my character of president of that society.

6643. (*To Mr. Lund.*) I see that the last year's receipts of the Bradford Third Equitable Building Society were 203,925*l.* in subscriptions, and 165,021*l.* in loans, making a total of 373,634*l.*?—Yes, including some odd moneys for expenses, and so forth, it would make that total. Those two sums would not make it.

6644. The last balance sheet published shows the liability of the society to be 357,439*l.* in subscriptions, and 276,367*l.* in loans?—Yes.

6645. And that there is an amount outstanding upon mortgages to the extent of 621,753*l.*?—That is the balance of mortgages still due; there are other sums of course belonging to the balance sheet which I do not think it necessary to give, such as cash in hand, the guarantee fund, &c.

6646. You have a guarantee fund of 3,000*l.*?—We have.

6647. Your investors are 4,512, holding 9,640 shares, and your borrowers 1,503, holding 10,254 shares?—That is so.

6648. How do you account for the great difference between the number of investing members and the number of borrowing members?—A borrower necessarily receives a larger amount than a person who invests; larger sums are lent out than are received as deposits.

6649. You mean that the loans are of larger amount than the shares?—Than the amounts invested either as shares or loans.

6650. What is the amount of your shares?—120*l.* realised value; 60*l.* investing value.

6651. What are the monthly payments on the investing shares?—10*s.* per month per share.

6652. For what period?—For 15 years and four months; that at  $4\frac{1}{2}$  per cent. amounts to 120*l.*, then it is a realised share.

6653. What is the interest paid on investing shares?— $4\frac{1}{2}$  per cent. is the rate of interest fixed by rule. The investing shareholders also receive the whole of the profits. The amount that we have paid latterly has been 6 per cent., never more; sometimes it has been 5*l.*

6654. Was it more than that formerly?—It never has been more than 6 per cent.; it has been  $5\frac{1}{2}$  several times.

6655. What are your rules with regard to advances, and how are they repaid?—Advances are repaid at a rate of 15*s.* per month for every 100*l.* advanced, a 100*l.* advance being a share and a half.

6656. In what time are they repaid?—In 15 years and four months.

6657. Does that 15*s.* per month include both principal and interest?—Yes, both.

6658. Is there any premium paid on obtaining an advance?—None.

6659. How are the advances allotted?—They are granted according to priority of application.

6660. Supposing a member who has made application for an advance obtains the advance, and when he obtains it finds that he does not require it, does he ever part with his priority to another member?—He can do so, but it is very seldom done.

6661. In such a case, would a premium be paid by the member?—The society charges 2*s.* 6*d.* a share for transferring the right to an advance. This is equivalent to a fine of 2*s.* 6*d.* a share for transferring that right.

6662. Would any money pass between the two

members?—That we have no control over; it may do so.

6663. Have you reason to think that it does?—No, I believe we never had such a case.

6664. Have you calculated what the rate of interest is which is paid upon advances?—It is fixed at  $4\frac{1}{2}$  per cent. according to the tables, and we have power to suspend the repayments of borrowing members. In that case, inasmuch as it extends the time, we charge 5 per cent. simple interest during the time it is suspended.

6665. I suppose you calculate the interest yearly, do you not?—Yes, we make a balance every year.

6666. And the interest for the following year is paid upon the amount outstanding at the commencement of the year?—It is charged upon that sum.

6667. Therefore it is rather more than  $4\frac{1}{2}$  per cent. in reality?—No; we allow interest upon repayments during the year at a corresponding rate, and that brings the rate actually to  $4\frac{1}{2}$  per cent. interest paid monthly. It is rather more than  $4\frac{1}{2}$  per cent. simple interest paid yearly.

6668. Do you make any deduction in respect of the repayments?—Yes, we allow interest upon all repayments in excess of interest at the same rate as we charge.

6669. Supposing the amount owing at the commencement of a year for an advance is a certain sum, the interest for the following year is paid upon that sum?—It is reckoned upon that sum for the first month, but the first month's subscription reduces that amount, and then it is reckoned upon the reduced amount.

6670. Then it is taken monthly?—Yes, it is taken monthly.

6671. Do the advanced members share in your profits?—No.

6672. What is your rate of fines for nonpayment?—3*d.* per share for one month, 6*d.* for two months, 9*d.* for three months, and so on to four months, and at the fourth month, to investing members, the fines cease.

6673. Are those rates the same to advanced members?—They are at the same rate up to 1*s.* a share. They never exceed 1*s.* per month per share.

6674. From your cash account I conclude that you have not often occasion to inflict those fines. I see there is only 70*l.* received in the last year?—There is a very small amount received in fines; we are very lenient with them, we do not always insist upon a fine when we are able to do so.

6675. You exercise the power of suspension?—Yes, that lessens the amount of fines considerably.

6676. Has the exercise of that power ever caused any loss to the society?—We never lost a penny.

6677. Have any cases occurred of property being forfeited upon which advances have been made?—I believe there have been some cases in Bradford.

6678. I mean in connexion with your society?—No, we never had any.

6679. Have you any statement which would show the amount of each advance that you made in the course of the year?—Do you mean the average amount? The annual reports state the gross amount that we advance.

6680. I mean the actual amount of each advance; could you tell me what was the largest sum that you had advanced to one person during the last year?—I have no statement at hand to show that.

6681. Could you state roughly what you think it might be?—The largest advance that we ever made was 15,000*l.* I think. That was either last year or the year before.

6682. What was the position or the occupation of the person to whom that advance was made?—He was a building contractor.

6683. Do you often make advances to builders?—That advance was made upon land, houses, and works. We do make advances to speculative builders to build houses with, but not to any great extent.

6684. I suppose this builder used that advance for

the purpose of building houses?—Yes, in part; but mainly to pay off a previous mortgage.

6685. What should you say was the average amount of each advance?—Last year it was about 400*l*.

6686. To what class of persons would your small advances be made?—To operatives almost entirely; overlookers, warehousemen, and clerks.

6687. What wages would those persons receive per week?—Not exceeding 2*l*, I may say.

6688. Do the same class of persons form a large proportion of your investing members?—Yes; they form a larger proportion of the investing members than of the borrowing members. I should think probably 80 per cent. of our investing members are of that class.

6689. And how many per cent. of your borrowing members?—Perhaps there would not be much more than 50 per cent. of the borrowing members of that class. You get rather more into the middle class when you come to the borrowers. There are a good many tradesmen who have saved a little money, who buy a small property and borrow upon it. Notwithstanding that, we have a large number of operatives who buy or build one, two, or four cottages, living in one and letting the others.

6690. Besides your invested and advanced shares you receive money on loan to a large extent, do you not?—We do.

6691. In what amounts do you take loans?—We have no limit in our rule, it is at our discretion at the time.

6692. You have no minimum nor maximum either?—We have neither a minimum nor a maximum fixed, we say we do not care to take sums below 1*l*. to begin with; but we do take sums as low as 5*s*. and 2*s*. 6*d*. afterwards.

6693. What is the rate of interest?—We have a fixed rate of interest; it is 4 per cent.

6694. What notice do you require for repayment?—Sums under 20*l*. may be taken away without notice at intervals of not less than a week; for larger sums we require a month's notice, and they are payable at a certain day in the month.

6695. What is your rule with reference to the withdrawal of invested shares?—We require a month's notice for any amount, with power to limit the amount of withdrawals at any time.

6696. Has that power ever been exercised?—Never, we have never had any occasion to exercise it.

6697. What class of persons usually lend money to the society on loan?—The same class as our investors. A great many of our investors make use of that department, as well as of the share department.

6698. Are there any persons having large sums standing to their credit as loans to the society?—We have loans, I dare say, amounting now to upwards of 1,000*l*.; there may be a small number of these, and possibly we may have two or three amounting to 2,000*l*. and upwards, but they are accumulations.

6699. What is your view of loans? Do you regard them as an advantage to the working classes for the sake of the investment, or as an advantage to the society for the sake of enabling it to use the money?—They are an advantage both to the society and to those who make use of them; they are quite as great an advantage to the working classes as to any others.

6700. What was the object which originally induced the society to take loans?—To enable the parties to invest their money and withdraw it again with greater facility, without being at any expense. A shareholder has to pay a share of the expenses. Our scale of charges for expenses to shareholders is the same, whatever length of time the money may have been in, we charge a fixed rate of commission.

6701. On the other hand, a shareholder receives a higher rate of interest?—Yes, but if he sacrifices, we will say, three months' interest in the shape of expenses to begin with,—and he does so—that becomes a great hindrance to investments of money in that way, especially money which is only likely to stay temporarily.

6702. Do you take fractions of shares?—Yes, as low as tenths.

6703. Are there many persons holding fractions of shares?—Yes, a great many.

6704. Is that a usual way of persons becoming shareholders, by taking fractions of shares?—No, for the most part shares and multiples of shares are taken. The payment for a share is 10*s*. a month, therefore the payment for a 10th part of a share is 1*s*. a month. It is easy to divide it at any point. A person can invest in any number of shares upon a monthly payment in that way. When the monthly payment exceeds 2*l*, there is very rarely a fraction attached.

6705. Upon what security are your loans taken?—We simply give a pass-book.

6706. Is there any power in the rules of the society to receive loans?—Yes; you will find it in Rule 31. on page 11.

6707. I see that in that rule there is a provision that the balance of borrowed money owing at any one time shall not exceed two-thirds of the sum which shall then be owing to the society on mortgage. Is that the case at the present moment?—Yes. That addition to the rule was only made at our last annual meeting.

6708. It has not always been the rule?—No, only since the last annual meeting in January last, when we altered the rule as to the limitation. We have had the rule to which that is appended since the beginning of the society, but the limitation was only added at the last meeting.

6709. Do you mean that until this last year you have had a larger proportion on loan?—We never had anything like that proportion, but in the rules we had no specified limitation.

6710. What was the reason for the insertion of that limitation?—It was in order to accord with an opinion which was expressed last year by Vice-Chancellor Malins, I think. He expressed the opinion that two-thirds of the amount advanced on mortgage was a fair proportion to allow building societies to borrow.

6711. Had your rules been certified without that limit?—Yes, previously.

6712. How long has this society been in existence?—For 17 years, at the commencement of January last. It began in January 1854.

6713. I see that one of your rules, No. 110, provides for the payment of printing, salaries, and other expenses out of the contingent fund?—Yes.

6714. It says: "Such fund to consist of moneys received for entrance fees, fines, and such portion of the profits as the directors may determine." Is there any regular rule for the allotment of a portion of the profits to that purpose?—There is a rule (Rule No. 132), that the secretary and the auditors shall have the power to ascertain what the profits are, and to apportion them.

6715. But there is no regular proportion fixed?—No. It must be the profits made.

6716. In the cash account I see that the principal part of the contingent fund is made up of deductions from advances and withdrawals?—That is so; we take off a commission of 1 per cent. from every advance made, and from every share withdrawn, whatever may be the length of time during which it has been in.

6717. That commission, to the extent to which it goes, is an increase of interest upon the advance, of course?—Yes, and a decrease of interest upon the investment. It is equivalent to nearly three months' interest at 4½ per cent.

6718. How are the legal expenses paid, the solicitor's charges upon mortgages?—We have a scale which we have agreed upon with our solicitor. I can tell you how that scale runs, if you wish to know.

6719. Will you state, if you please?—For mortgages under 500*l*. we allow him 10*s*. per cent. upon the amount, plus 1*l*.

6720. Does that scale cover the whole of the expenses of the solicitor?—It covers the whole of the solicitor's expenses except the stamps, and there are no stamps up to that amount.



*Mr. J. A. Binns.*  
*Mr. C. Lund.*  
 19 May 1871.

6721. It covers the mortgage deed and the deed of conveyance, and the inquiry as to title?—It does not cover the conveyance; we have no control over conveyances. We allow the parties who apply to us for money to go where they like to get their conveyances made.

6722. It simply refers to the mortgage deed?—Just so.

6723. What is the scale beyond 500*l*.?—Beyond 500*l*. we have reduced the ratio to 5*s*. per cent.; it is 10*s*. per cent. below 500*l*., and 5*s*. per cent. above 500*l*. up to 2,000*l*.

6724. And there is a fixed charge in addition?—Yes, above 2,000*l*. it is a matter of special arrangement, of course, not exceeding the scale.

6725. How are the survey charges paid?—We charge 5*s*. for each survey, including the plan, and we allow 2*s*. 6*d*. per cent. also upon the amount advanced.

6726. Those charges are also paid by the member requiring the advance?—Yes, by the borrower.

6727. Have you a professional surveyor or a survey committee?—We have professional surveyors. I should explain that the scale of attorney's charges which I have named includes all payment for investigating title. There is no charge whatever in addition to it, except for stamps.

6728. I see in your report for 1870 that the total amount, in round numbers, that you have received in subscriptions since January 1854, is 1,160,000*l*.; in loans, 1,060,404*l*.; in other ways, 33,000*l*.; making a total amount of 2,254,400*l*. since the commencement of your society?—Yes.

6729. And you have had 12,700 members entered since the commencement?—Yes.

6730. And 36,000 shares?—Yes, that is so. Those are the figures up to the end of last year.

6731. Can you speak with regard to the Second Equitable Bradford Society?—I can give some information about it, but I have not been empowered to do so. The information I can give is mostly obtained from their own reports.

6732. That society has received during the last year 180,779*l*. of which 85,089*l*. were subscriptions, and 94,558*l*. were loans?—Yes.

6733. And their liabilities in their last balance sheet are stated at 81,226*l*. for subscriptions, and 203,962*l*. for loans?—Yes.

6734. While the amount outstanding upon mortgages is 290,450*l*.?—Yes.

6735. They have 696 borrowing members holding 5,606 shares, and 1,645 investing members holding 3,565 shares?—Yes.

6736. Their proportion of loans to subscriptions is very much larger than yours?—It is because they allow profits to borrowers, and that lessens the amount of interest to investing shareholders.

6737. Do their borrowers and investing shareholders divide the profits equally?—They divide them at so much per share according to the number of shares held by each.

6738. They participate equally according to the number of shares they hold?—Yes, according to the number of the shares, independent of their value or the amount paid.

6739. Then, of course, their profit being less, the investing members are not so much attracted to that society?—No, they more readily come to ours.

6740. Do you know what rate of interest they allow upon their loans?—They allow just the same rate as we do; it is an older society, by three or four years.

6741. Have they any limit as to the amount of their loans or the amount outstanding on mortgages?—I believe not.

6742. Is the amount of their shares the same as the amount of yours?—Not exactly; there is a few pounds difference, but not much. The amount of an advanced share in the Second Equitable Society is 63*l*. and some odd shillings. With us it is 66*l*. 13*s*. 4*d*.

6743. Do they receive loans much in the same way as you do?—In just the same way.

6744. Are their members persons of much the same class in life as yours?—Just the same.

6745. In fact they do much the same class of business, I suppose?—Yes, there is very little difference between us; the principal difference is in the apportionment of the profits.

6746. Are you also acquainted with the Halifax Permanent Building Society and the Leeds Provincial Building Society?—I think you have had some evidence from Leeds about one of the societies. I do not know much about the Leeds Provincial Building Society. I know the secretary, and I know the solicitor, but I am not much acquainted with their mode of working.

6747. But you can state probably that the following figures are correct with regard to the Leeds Provincial Building Society: Their last year's receipts appear as 98,864*l*., comprising 57,331*l*. in subscriptions, and 40,320*l*. in loans?—Yes.

6748. The liabilities, according to their last balance sheet, were 55,940*l*. in subscriptions, and 99,641*l*. in loans?—Yes.

6749. While they had outstanding mortgages to the amount of 156,380*l*.?—Yes.

6750. Their number of advanced shares was 2,952, and the number of investing shares 2,902?—Yes.

6751. Perhaps you can give us the same figures with regard to the Halifax Permanent Building Society?—I can give it from their reports.

6752. I see that the total of their last year's receipts was 146,786*l*., comprising 104,079*l*. in subscriptions and 40,179*l*. in loans?—Yes.

6753. It appears from their last balance sheet that their liabilities were 113,161*l*. in subscriptions, and 158,211*l*. in loans?—Yes.

6754. They had outstanding on mortgage 261,498*l*.?—Yes.

6755. Can you state whether both these societies do the same class of business as your society?—Pretty much the same; there is a little difference in the rate of interest, I believe; but they are similar societies to ours. In fact the whole of the societies in that part of Yorkshire are conducted in the same way.

6756. They all have similar borrowing powers, I suppose?—They have.

6757. Are the borrowing powers limited in the case of any other society than your own, as far as you are aware?—I believe that ours is the only society in which the borrowing power is limited.

6758. Do you know what the view of the societies which you have named would be, with regard to a limitation of the borrowing powers by law?—They would be opposed to it very strongly. It would be very injurious to the societies if the power of borrowing money was taken away from building societies. As to a limitation of it, if it was confined to the proportion which we have adopted, I do not think that it would be injurious to any of them.

6759. Probably they would not object to it?—I do not think they would, to that proportion.

6760. Has your society in Bradford, the Third Equitable, any connexion with any land society?—None whatever. We have no land societies in Leeds, Bradford, or Halifax, nor in the neighbourhood.

6761. Has it branches out of Bradford?—Only in the surrounding villages, three or four miles away.

6762. Does it make advances upon property at a distance from Bradford?—We have in one or two instances gone into the adjoining county of Lancaster. I think we have one or two mortgages there, but we never do so unless the mortgagor resides in Bradford, or in the neighbourhood.

6763. As a rule you rather discourage business away from Bradford?—Yes.

6764. (*To Mr. Binns.*) Have you any statement to make to the Commission with regard to any proposed or any desirable alteration in the laws affecting building societies?—I do not know that I have any special theory to recommend, or statement to make. I assumed that there was in the minds of several gentlemen on the Commission a desire to make alter-

ations in the law, and I thought that you had probably fixed upon certain reasons why those alterations should or should not be made, and that you would ask me questions with respect to those alterations. I could probably suggest one or two things which might seem desirable.

6765. Has your attention been called to a bill which was brought in last session by Mr. Gourley in the House of Commons?—It has.

6766. Do you concur, as a rule, with the proposals contained in that bill?—In the main I do.

6767. Perhaps if you can state any points upon which you differ from them it would be desirable?—When I said that I concurred with those proposals in the main, I meant that generally I should agree with the bill as it stands. I have no serious objections, certainly none worth stating, to anything that appears in it. What I was thinking of was rather some little question of criticism than anything else, upon the wording of some of the clauses. There is no point of principle upon which I disagree with the proposals contained in the bill.

6768. There is no material point?—No, there is no material point.

6769. Does the bill appear to you to comprise all the alterations in the law which are necessary?—Yes, all of them. I do not know that for the present I should be disposed to suggest further alterations. Perhaps the Commission will allow me to mention one small point with reference to the probate duty, which is contemplated by the bill, as to the case of a member of a building society dying intestate, and leaving his next of kin to claim. It struck me that the limit of 50*l.* which is put down there might be advantageously extended to 100*l.*, particularly in the case of a widow or children alone being left.

6770. What is your view, speaking for the building societies of Bradford, as to the exemption from stamp duty? Do you attach any great importance to it?—Yes, I think it conduces very materially to the usefulness of the societies. I think it tends to attract people to them, and therefore fosters very generally the habit of saving, which is a very desirable one to be fostered.

6771. But pecuniarily it is a matter of small consequence, is it not?—No, it is a matter of rather large consequence, and it is one which people feel at a time when they feel most any taxation or privation in money matters, that is to say, when they are borrowing.

6772. Still the stamp duty is not what it was when that exemption was originally granted by the Legislature?—No, but it would still be found to act very hardly upon the poorer classes of borrowers.

6773. Do you think that any abolition of the exemption would be very objectionable as regards its effect upon them?—I do. I think it would be part of a policy of discouragement towards building societies, which really deserve a policy of encouragement. I think they are amongst the best educating influences that can be brought to bear in large towns; they teach self-restraint, and thrift, and so on. Large towns have exceptional dangers, and I think they ought to have special precautions against those dangers.

6774. Does it occur to you that the building societies in these days occupy a different position, and take a much larger class of business than they did when the exemption was first allowed?—If it is so, I think it is the natural result of circumstances. The towns have grown very much larger, mainly by the agency of the building societies. Certainly that is the case with regard to the towns in the north, and that being so, the influence of the building societies from time to time becomes more extensive, and they have increased their operations, and they have got to some extent, perhaps a different class of members from what they had originally. They are certainly larger institutions than they were at first, and I am very glad that they are so.

6775. I presume you would hardly consider that it would be desirable, for the sake of any persons above the labouring classes, to allow any exemption from the stamp duties?—As a rule I should think it undesirable,

but borrowers of all classes are of use in building societies, if they are not brought in in too great a number, and in this way: they afford a means of investing the savings of the working classes, which otherwise it might be difficult to invest. Supposing we are able to advance money upon unobjectionable security from time to time to single persons to the amount of 5,000*l.* or 7,000*l.* we are able, by so doing, to utilize a large sum of money which has come to us in very small individual sums, and we are therefore benefitting the investors of those small individual sums to that extent. If we were limited to making small advances to individual borrowers, we should be unable to find investments for the very large sums in the aggregate which poor people bring to us for investment, and for which an outlet is required.

6776. You encourage saving by finding investments for people's savings?—Yes. I might say in addition to this, that the habit of saving begins, in Bradford particularly, at a very early age. As soon as young people begin to earn money for themselves, at a mill or elsewhere (and that begins at a very early time of life with them) they begin at once to pay a certain sum to their parents for board and lodging, or they leave home, and live in lodgings in some neighbouring street. After paying for their board and lodging, they have a surplus of their income to spend or to save, as they think fit. If at the time when they have this surplus income in their hands, as young people, they have an opportunity of bringing it to places where it can be taken for investment at 1*l.*, 2*s.*, 5*s.*, or 10*s.* a month, it is a great advantage to themselves. We could not use those savings at all if we were deprived of the power of occasionally lending the money so received in large sums to individual borrowers.

6777. That is a totally different kind of advantage from that which was originally contemplated, as being given by building societies, is it not?—Possibly; but still it is a very desirable kind of advantage. Forty years ago building societies were naturally enough regarded as, and in fact were, an experiment, and such sums as 150*l.* were thought to be quite enough for an individual interest in them; but during the last 40 years, by the mere stress of circumstances, they have grown into something better, and much more useful, and they have been greatly enlarged. It seems to me that the encouragement should be rather continued to them, than that they should be repressed.

6778. Do you think that the abolition of the exemption from stamp duty would in any way limit the number of large advances that would be required from building societies?—I do not know that it would limit the number of large advances particularly. I could not say that, because stamp duty is now payable on all sums above 500*l.*; but it would add a very unpleasant element to all the present payments upon small advances, and it would limit the number of small advances certainly.

6779. Then after all, it is with regard to the persons requiring small advances, rather than with regard to the investors that the exemption from stamp duty is an advantage?—It acts in both ways. It benefits the investors in this way, that it makes it easier to lend money with the exemption from the stamp duty, and therefore there is a freer outlet for the savings of the humbler class. It also makes it much cheaper and easier to the people who borrow money to acquire houses of their own in sums of 200*l.*, or 300*l.*, or 400*l.* for one house, or a number of houses, as the case may be.

6780. That is with regard to small advances?—Yes.

6781. Have many houses in Bradford inhabited by the working classes been built through the agency of building societies?—Yes, an exceedingly large number.

6782. What has been the average value of such houses?—I suppose the vast majority of our working class houses run from 100*l.* or a little over, to 180*l.* or 200*l.*; they are mainly of a higher value now than when they were built. Houses have risen in value,

Mr. J.A. Binns.  
Mr. C. Lund.

19 May 1871.



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*Mr. C. Luna.*

19 May 1871.

notwithstanding all the supply we have been able to furnish.

6783. Has it been the rule in your societies that a working man has obtained an advance sufficient to enable him to build one house, or has he rather sought for an advance to enable him to build two or three or more houses?—We have had a very large number of cases in which advances have been made for the purpose of building or purchasing single houses, and we have had a largish number also in which the advance has been made for two or three houses, or more still. But you will see that the average amount of the advances has not exceeded something like 400*l.*, and that takes in the very large ones which must have affected the average greatly. That shows the general small amount of the advance.

6784. Is there any point upon which either of you gentlemen wish to make a statement or to offer a suggestion to the Commission?

(*Mr. Lund.*) I think there would be a further difficulty if the alteration of the law were to extend to receipt stamps, that is the impracticability of using receipt stamps in connexion with our mode of doing business by pass-books.

6785. (*To Mr. Binns.*) Will you give us any evidence upon that point?—Anything like the imposition of a receipt stamp upon every receipt or payment of a sum exceeding 2*l.* in the case of a society like ours would, in the first place, be a very heavy tax indeed upon the small sums which are perpetually paid in and withdrawn again in a short time, and it would occasion considerable difficulty in practice. The expense is really the main objection; it would be a limitation of the usefulness of the societies, and in that way it would do great positive harm.

6786. I do not understand why there would be any great difficulty in practice?—On certain days we have receipts and payments in many hundreds of items, and the mere putting the stamp upon the receipt itself in every case where the payment exceeds 2*l.* would be a trouble; but the cost would be the most important element.

(*Mr. Lund.*) It would occasion great difficulty also in our subscription books.

6787. Are the payments on deposit often made in sums exceeding 2*l.* at a time?—Yes, in sums of 2*l.*, 3*l.*, 4*l.*, and 5*l.* We have smaller sums, but those form a fair proportion of the whole upon our busier days. A receipt of 373,000*l.* in the year necessarily implies largish payments.

(*Mr. Binns.*) I did wish to say also that I thought that a power to incorporate building societies would be a desirable one. There are difficulties as to working through trustees which would be avoided by incorporation.

6788. What advantages do you think they would derive from incorporation?—We should avoid the system of working through trustees. The managers of the company would then be able to transact its business without having to trouble gentlemen, who in reality are dependent upon the managers for their

information. We constantly want our trustees to sign deeds and releases, and they do so upon the faith which they (the trustees) have in the managers. They are satisfied to trust the responsibility and the character of those managers, and they sign documents without inquiry. What I wish to ask is, why should we not do directly what we do at present indirectly through our trustees? There is a further difficulty, one instance of which occurred to us some time ago, when Mr. Tidd Pratt died. We had to appoint a new trustee. There was no certifying barrister. We could not appoint a new trustee without a new rule. When the new rule was passed there was no barrister to certify it, and for several weeks our transactions were at a standstill, because we had only two trustees, and three trustees were required to execute the deeds and sign the documents of the society. Incorporation would have got over that difficulty.

6789. Does not the system of trustees afford some security for the proper administration of the affairs of the society?—I think not much. The real security has been in the character of the managers who are entrusted with the daily working of the society. The trustees, as a rule, have nothing to do with that.

6790. Should you prefer a special Act to incorporate building societies, or should you prefer the power of incorporation under the Joint Stock Companies' Act?—I should think the ordinary powers of incorporation under the Joint Stock Companies' Act would be quite sufficient.

(*Mr. Lund.*) Industrial societies have the power of incorporation by registration simply under the Industrial Societies' Act, and a similar power conferred upon building societies would be an advantage.

6790a. (*Chairman to Mr. Binns.*) Is there any other point upon which you wish to speak?—I think anything like a serious curtailment of existing privileges would be detrimental in the highest degree to building societies. I think it would cause the winding up, certainly of a great many small ones, and it would cause serious embarrassment to many amongst the larger ones. Suppose, for instance, that a serious change were made in the power of loans being received by a society like ours, and we were thereby reduced to look for our whole future income to subscriptions on shares, or repayments by borrowing members. With the liabilities which exist at present, we should be unable to pay out for many years, and many societies would be unable to do it for a very long time; many could not call in mortgages so long as the mortgagors fulfilled their engagements properly. The persons who invested their money upon the faith of being able to take it out upon a reasonable notice would have to lose it for many years, or there must be a winding up, which would cause great loss by the forced realization of valuable securities, all thrust into the market at once. I think that this ought to be borne in mind. I have also brought here an article on building societies which I read before the Social Science meeting at Bradford, in October 1869 (*produces the same*). I shall be happy to leave it with the Committee if they care to look at it.

The witnesses withdrew.

Adjourned to Friday next at 12 o'clock.

Friday, 26th May 1871.

PRESENT :

SIR MICHAEL E. HICKS-BEACH, BART., M.P., IN THE CHAIR.

SIR SYDNEY H. WATERLOW.

JOHN BONHAM-CARTER, Esq., M.P.

EVAN MATTHEW RICHARDS, Esq., M.P.

CHARLES SAVILE ROUNDELL, Esq.

FRANCIS THOMAS BIRCHAM, Esq.

Mr. JOHN RYALLS examined.

Mr. J. Ryalls.

26 May 1871.

6791. (*Chairman.*) I think that you have a good deal of knowledge of building societies at Sheffield?—Yes, we have many of them there.

6792. Can you give us any idea of their number, and the extent of their operations?—Their number is very great. I should think that there must be from 50 to 100 of one kind and another.

6793. Have you had anything to do with the founding of any of the societies at Sheffield?—Nearly 40 years ago I founded one society, but it was in a very humble way. I believe that it was the first established in Sheffield.

6794. Was it a permanent or a terminating society?—A terminating society. The shares were only 80*l.* each, to be redeemed by 10*s.* monthly, and the borrowing members paid 6*s.* 8*d.* a month besides. It was thought that the 80*l.*, or a half share, would enable a man to build a house for himself. The object was to induce parties to take a little land on lease and build a house for themselves. The object never was that they should build numbers of houses, and go into the field of speculation,—that was not intended at the time.

6795. Is a plot of freehold land for building purposes easily obtainable in Sheffield, or is the land leasehold?—It is chiefly leasehold.

6796. What was the result of the operations of that society?—We made a slight profit, but it was then quite in its infancy, and I saw that builders tried to introduce business into it for the purpose of building. I did not think that that was the original intention of it, and I discontinued anything of the sort, and for some years nothing of the kind was established, but subsequently such societies became very rife.

6797. Referring to that society, I did not quite understand your answer as to the payments. You stated that the payments by unadvanced members were 10*s.* a month?—Yes.

6798. For how long?—For as long as the society lasted. The money went into a common fund.

6799. What was the time which was fixed?—I forget now the time that it took, I think something like from eight to ten years. The money went into a common fund, and a person who had received a loan paid the interest upon it, and it terminated of itself.

6800. How were the loans allotted?—They were sold, and the highest bidder was entitled to the money.

6801. What premiums have you known to be paid?—The premium never ranged above from 2*l.* to 3*l.*

6802. That was on an advance of 80*l.*?—Yes.

6803. Then the repayment of that advance was by 16*s.* 8*d.* a month?—Yes.

6804. Including the original payment for the share?—Yes. We only had it for 12 months, and that made it right; 13 months would be rather more than 6*s.* 8*d.* a month; the money was paid only for 12 months.

6805. What was the payment per annum?—Twelve times 16*s.* 8*d.* in respect of an advanced share, and 12 times 10*s.* in respect of a share which was not advanced.

6806. How many members were there in that society?—About 50, to the best of my remembrance; from 40 to 50.

6807. Since that time, what has been the progress of building societies in Sheffield?—They began 20 or

25 years ago, and perhaps more, and they have been constantly increasing.

6808. Can you give us any figures as to the number of members and the capital of the different building societies in Sheffield at present?—The money in them must be very considerable. In loans by persons who advance money nearly a million of money must have been now advanced to the Sheffield building societies. There is one society of which I have an account. I sent circulars to get the requisite answers for this Commission, and the societies were rather chary of furnishing their accounts. They wished to know why I wanted them, and of course I told them. There is one society called the Sheffield Permanent Building Society, which was established in 1863. That society has on loan 51,000*l.* That is one society alone, and I think that the office has connected with it about eight or ten societies.

6809. Do you mean that that society has received deposits to that amount?—They have borrowed money from individuals to the extent of 51,783*l.*, besides the money which they have received from the shareholders. These are loans. Some persons have lent 100*l.*, some 500*l.*, and some as much as 2,000*l.* The reason why the society can borrow money so easily is that in many cases they repay it on a short notice.

6810. What is the rate of interest?—Five per cent. They invariably allow 5 per cent.

6811. What is the amount of share capital of that society?—They have received 22,000*l.* up to 1870, that is in six years. In the first year it was 1,100*l.*, in the second year 1,800*l.*, in the third year 1,900*l.*, in the fourth 2,900*l.*, in the fifth year 4,400*l.*, and so on. They have borrowed 51,000*l.*

6812. Can you give us any figures with reference to any other Sheffield society?—I think that I can. Here is an account of the Sheffield and North Derbyshire Society, where the amount is rather a heavy one; 25,000*l.* is the amount of the loans.

6813. (*Mr. Bircham.*) Those are moneys deposited with them?—Yes; a person deposits 200*l.* or 300*l.* with them, and receives it back when he wants it. They are very faithful in repaying the money.

6814. (*Chairman.*) The Sheffield and North Derbyshire Society stands in rather a curious position with reference to that matter. I see that, as you state, they have taken loans from depositors to the extent of 25,611*l.*?—Yes.

6815. But they have apparently received from investing members only 1,679*l.*?—I scarcely understand how they make that out.

6816. At any rate, from their balance sheet it appears that they have that liability of more than 25,000*l.* to depositors, and only 1,679*l.* to investing members?—Just so.

6817. While apparently they are owed by borrowing members 34,000*l.*?—Yes.

6818. That would seem to show that nearly the whole of their money out upon mortgage comes from depositors?—A good deal of it.

6819–20. In the proportion of 25,000*l.* to 34,000*l.*?—Yes.

6821. Have you any statement as to the number of shareholders in the Sheffield and North Derbyshire Society?—No; I have no doubt that it is very numerous, because it extends to several towns. Sheffield is



Mr. J. Ryalls.

26 May 1871.

very near Derbyshire. Derbyshire is just on the borders of it, and there are several places in the immediate neighbourhood.

6822. This society, I observe, according to the last report, pays 5 per cent. per annum on loans?—Yes.

6823. And it pays from its profits a rate of  $7\frac{1}{2}$  per cent. to members whose shares are now completed?—Yes. That of course is uncertain; it depends upon what becomes of the property, and whether they realize all the money or not.

6824. Can you explain the item in this account, "redemption fees, 271*l.* 18*s.* 0*d.*"?—I fancy that that means a sum which the members pay on repaying the money before the end of the term, but I do not exactly know.

6825. I ask the question, because I see in the statement of the Sheffield Permanent Benefit Building Society that that society states as an advantage, "on paying off there is no heavy redemption fee charged, "as is the case with some societies"?—I do not know, but I think that what I have mentioned is the meaning of it.

6826. Then your impression is that, if an advanced member wishes to pay off his mortgage before the time has expired, he has to pay a very heavy redemption fee?—He has to pay something, whether it is heavy or not I do not know. They do not say what the amount is. I fancy that he has to pay something as a provision against actual ultimate loss.

6827. Can there be loss if he pays off a mortgage before it is due?—There would not be any loss in his case, but supposing that the thing goes on to the end, and that they have a number of properties thrown on their hands, there may be a loss.

6828. I understand you to say that a fee is paid when an advanced member pays off the mortgage before it has expired?—Yes.

6829. Is not that a clear gain to the society?—Certainly it is a present gain.

6830. It is a present gain, unless the directors chose to divide their profits at an improper time, before the profits are made?—Yes. A society of that kind may go on for 12 years, as a rule; if a man pays off at the end of six years they have the other six years in which to run the risk of all the properties which they have taken, and of the securities which they have taken. I think that the redemption fee means that member's share of any possible loss.

6831. (*Mr. Bircham.*) Not on his own transaction, but on the general transactions?—Just so, as a provision. In the neighbourhood of Sheffield there is a place called Carbrook, and great sums of money have been lent there, and a great many buildings have been built by speculative builders. In one street there are now 41 houses, only three of which are let, all of which have been built out of building societies' money, with heavy ground rents to pay,—6*d.* and 9*d.* a yard.

6832. (*Chairman.*) Were those houses all built at one time?—Nearly so; within a couple of years, I daresay less.

6833. Did one speculative builder obtain a large advance from a building society, or more than one?—The 41 houses, I think, were built by two builders.

6834. Do you know what sum of money was advanced in order to build those houses?—I do not exactly know, but much more than the actual value now.

6835. Is it the custom in Sheffield with building societies to advance money upon houses not built?—Yes, a man goes and builds without having a penny in his pocket—the majority of them do so. He obtains a lease from somebody, and he then submits it to the building society, and they guard themselves as well as they can in their advances, and the persons who ultimately suffer are the creditors. I know the case of a builder, within the last three months, whose liabilities were 30,000*l.* secured and unsecured, and I should think that there were 10,000*l.* of unsecured debts. He could only pay 4*s.* in the pound on those debts. He had taken land at a very improvident rate, 6*d.* and 9*d.* a yard. The men of whom he took the land,

in one or two instances, gave him a bonus. I think that he told me that one person allowed him 1,200*l.* as a bonus for having taken land of him.

6836. On building lease?—Yes, the rent was so extravagant that he could afford to do that.

6837. What is the amount of the ground rents which you speak of?—They now vary from 6*d.* to 1*s.* a yard. Thirty or 40 years ago we used to think 3*d.* a yard a great rent, but now rents have run up in that way, and they are very often 1*s.* a yard.

6838. What class of houses would be built upon land with those ground rents?—Houses of various kinds, but chiefly what we call cottage houses, with two rooms on a floor.

6839. Were those houses of which you have spoken as unlet of that description?—Yes.

6840. (*Mr. Bonham-Carter.*) Has Sheffield also extended in the direction of Norton?—Not yet; it will do so ultimately.

6841. What are the building speculations now in the direction of Norton?—Very few, because there are so many houses unoccupied.

6842. Are the unoccupied houses of recent erection?—Yes, within the last seven years.

6843. Do you not consider Norton a suburb of Sheffield?—Scarcely, but people will shortly go there very fast. I live in Norton myself, and I only pay two taxes, namely, the poor rate and the highway rate. In Sheffield they have divers taxes of all sorts. Just over the water, at what we call Heeley, we have no other taxes, but the reason why people are discouraged is that so many houses are to let there.

6844. How do you account for such a large number of houses, in what you consider the preferential direction of Norton, being unlet at the present time?—There were no facilities. The railway is just opened, which will make it a little better. It brings it a little nearer.

6845. Was it a speculative erection of houses in the first place?—Decidedly so. I do not think that there were three private persons who built houses.

6846. I think that the value of land has increased from something like 50*l.* or 60*l.* an acre to something like 1,200*l.*, has it not?—Yes, we reckon it in this way: 3*d.* a yard is 1,200*l.* an acre.

6847. Is that rate of 1,200*l.* an acre maintainable at the present time?—Yes, they are rather discouraged there now, but it will all come in.

6848. Do the building societies operate in that direction also?—A little, but not much there. I think that it is chiefly one person, of whose operations I have no account.

6849. (*Chairman.*) Are you aware whether the building societies in Sheffield which have made advances of this description have been in any way got up by speculative builders?—In a few cases, but generally not by speculative builders, but by the tradesmen. For instance, a plumber and glazier will be on the committee, or sometimes a timber-dealer. They go to an attorney, and they form a society. Then people come to build. Those persons furnish them with the materials in which they deal, and they get paid, because they are always at the post, and know when the money is payable, and they watch when the cheques are given, and the outside creditors are left in the cold to get their money as they can.

6850. Would the building society make an advance to an amount anything like the actual cost of the building?—Pretty nearly so, as a rule; they keep it down as much as they possibly can. I advise all my clients, timber-merchants, and everybody else, when they are dealing with people who are building on a building society's land, to see that they have the guarantee of the building society, because the losses are so great.

6851. Have you known cases in which houses have been built in this way, and the building society has been obliged to take possession of them?—I know numbers of such cases; newspapers have advertisements of property to be sold by the building societies at the present moment.

6852. Have you known cases where the building societies have largely lost through it?—Yes; there are a good many cases where they have lost. There were some works built by a person in the neighbourhood, near Brightside. I should think that a society lent about 10,000*l.* upon those works, and I do not think that they have received more than 6,000*l.* or 7,000*l.*, and they could only get that back through the identical man who built the works getting up a company. In that case possibly the society might lose 2,000*l.* or 3,000*l.*

6853. Are you acquainted with any building society which has failed owing to transactions of that kind?—No, not one. If they only go two years longer than they ought to do, the receipts are very great at last.

6854. You speak of terminating societies?—Yes; if they receive anything like 1,200*l.* or 1,500*l.* a month, if they multiply that by 12 it is a great deal of money, and if they go a year and a half longer it covers a very large loss.

6855. Then you make the members pay the losses?—The members have ultimately to pay the losses. The losses have not come yet, they are coming now.

6856. You have spoken of a large advance on works. Do you know of many such cases? Is it a common thing in Sheffield for an advance as large as that to be made upon a single set of buildings?—Yes; there was a case in which some persons failed the other day, and the property was sold, where a building society had advanced 5,000*l.* I think it was the North Derbyshire Building Society, but I am not certain; it is in the same office. They had advanced about 5,000*l.* on works of various kinds, a steam engine, and so on, and the persons failed.

6857. Do you think that there should be any limit to the amount which each shareholder should have in a building society, and therefore to the advance which he should obtain?—I do. I remember that a recital in my original articles was to this effect,—to enable a person to build a house for himself, or to purchase one. If you go further than that, you spoil the utility of a society of that nature. Then the question is, how are you to limit it? It was limited by the first Act which was passed; it was said that the shares were to be 150*l.*, but some question arose before the courts, and it was held that that did not bind the society, and that the society could still recover on their repayments, and so on, though they had advanced more than the 150*l.* If what I have now mentioned could be effected, it would be of great service to the working population.

6858. Was not that provision inoperative, because although the share was limited to 150*l.* yet any one person might hold any number of shares?—Just so.

6859. Can you suggest any way in which your view could be carried out, by which the operations of a building society should be confined to the advance of a sum of money of a sufficient amount to enable a poor man to build a house for himself?—I think that the amount should be about 150*l.*

6860. Then, besides limiting the share to 150*l.*, would you limit the number of shares to be taken by one person?—You must necessarily do so.

6861. Do you not think that any limit of that kind might very easily be evaded?—No doubt of it, and there is the difficulty which I have always seen.

6862. Would it not entirely put an end to the present operations of the building societies, if such a limit were enforced?—It would put an end to the mischievous effects of them.

6863. And to their present operations?—Yes; but capital would be usefully employed, it would not be employed merely in a speculative manner. You cannot limit people. Some of our working men can save a great deal of money when they are disposed to save; and these societies should be encouraged as much as possible in order to enable them to save.

6864. Then, in your view, it would be desirable to encourage a working man to save sufficient money for the one house which he might want for himself, but not enough to enable him to acquire any greater

number of houses?—Not in the nature of a speculation.

6865. Not in fact to become a house-owner?—No, unless it was his own money, and then I would let him do it and welcome.

6866. Can you tell us anything as to the rates of premium in Sheffield for advances?—They used to be 10*l.*, but now they are reduced, as there is such competition amongst the societies that they find they are bound to reduce them. They are now, I think, reduced to five guineas in the statement which I gave you just now. The premium is reduced to four guineas or five guineas, and they profess to make an allowance.

6867. In your view, do the investing members of building societies in Sheffield, as a rule, profit very largely at the expense of the borrowing members?—They do,—if any body profits at all, if there is not ultimately a loss. They can scarcely make a loss, because almost any society will pay 5 per cent. in the long run, but the investing members are the persons who have the benefit.

6868. Do you think that, taking premium, redemption fee, and interest all together, the borrowing members pay more for their money than they fairly ought to pay?—Yes.

6869. And yet, according to what you have told us, speculation is encouraged by these building societies?—Quite so.

6870. Although the rate of interest is so high?—Yes.

6871. In what way are these building societies generally originated in Sheffield? are they got up by lawyers or surveyors?—In every case which I have mentioned the secretary is Mr. Armstead, who is clerk to Messrs. Parker and Son the solicitors; he is the secretary of all their societies; those solicitors have about eight or ten building societies.

6872. Messrs. Parker and Son are the solicitors of the societies to which Mr. Armstead is secretary?—Yes. and Mr. Stainforth is a sort of managing director, and I fancy that he is maintained out of it in some way or other; he used to be in a respectable position as a silver-plating manufacturer, but I should think that the building society business is a better business.

6873. Are Messrs. Parker and Son solicitors to these eight or ten building societies?—Yes.

6874. Does the same kind of thing go on with reference to the other building societies in Sheffield?—It does.

6874a. Do you consider that a certain class of persons, whether solicitors or surveyors, make their living out of building societies?—No, it is merely an addition to their business.

6875. You are a solicitor?—I am.

6876. Can you tell us what is the usual charge in Sheffield made by solicitors for borrowing members of building societies for their deeds?—I believe that they have a scale amongst them according to the amount. I do not exactly know what it is, but I have understood that it is rather reasonable; some of the societies limited it. They did not pay any stamps until the late Act of Parliament.

6877. Is there a charge fixed by the societies for the solicitors?—I think that in many of them there is now; it used not to be the case.

6878. Does that also apply to the surveyor's charges?—I do not know.

6879. You have spoken of the exemption from stamps; what is your view as to that point?—That it is very unjust; it is a fraud on the Government, so many building societies being established, so long as they do not pay the stamp duty.

6880. Have you considered for what reason that exemption was originally allowed to them?—To enable a working man to obtain a house. When the Act was passed, limiting the amount to 150*l.*, the legislature in its wisdom thought that a person would take a share for 150*l.* and would stop there, and that it would not get into the hands of speculators.

6881. In your opinion, now that the business of building societies has become of so different a character,

*Mr. J. Ryalls.*

26 May 1871.



*M<sup>r</sup>. J. Ryalls.*

26 May 1871.

should that exemption from stamp duty be abolished?—Certainly, the exemption from stamp duty of all kinds. At present no release is taken, you merely have a receipt on the deed, and we have to register that receipt, we being a registering county. I have always avoided that where I could. A short time ago, I had to take a release of property which had been in mortgage to a society, which society had run out for many years, and the property had not been released. I wanted the two trustees to join, but the deed was submitted to counsel, and counsel said that it was sufficient without the trustees joining. I did not think that it was fair. It was never the intention of the legislature that property of that sort should be exempt from duty. It ought all to be restored; the duties are now very little.

6882. Therefore the exemption is not of the advantage which it was?—No, it was at one time a very serious thing.

6883. (*Mr. Roundell.*) With regard to the release, is it not necessary in the West Riding to have it registered?—Certainly.

6884. But as a matter of practice, I understood you to say that releases are not registered?—The receipt is registered, but not the release. Formerly we had to pay a stamp duty of 1*l.* 15*s.* on a release. I would always have a release. Thousands of pounds' worth of property have passed in that way.

6885. Are you cognisant of Mr. Gourley's bill of last year, which was amended in committee of the House of Commons?—No, not at all.

6886. You are in favour of limiting the operations of the societies?—Yes, it would be most useful. I should wish to say also a word about land societies. The land societies have been of inestimable benefit to such a place as Sheffield, but they have been abused by men taking seven or eight lots, instead of confining themselves to one lot. However, in many instances which I know of, a person has taken a share in a land society, and has waited until he could pay for it, and has then built a house on it.

6887. I think that, in answer to the question of the chairman, you did not suggest any practical limit?—I have often thought of it, but I cannot see how it is to be done. An Act of Parliament cannot describe anything of that sort.

6888. Then so far, whatever your opinion may be, you feel that you cannot help yourself?—I do not see how it is to be done; the only way would be absolutely to limit the share to 150*l.*, or whatever sum you chose to mention, and that no man should have more than that share.

6889. But you have admitted that that can be evaded?—If it was so enacted it could not be evaded, and then it would act beneficially in this way: these societies now begin every year, and if a man had taken one share and had built a house, and was saving money, he might do what he liked with it, but he could not take a share of 150*l.* in another building society then. That is the only way to limit it, namely, that no man shall have more than one share in one building society, and then you take him out of the range of speculation.

6890. Would you be in favour, in any legislation which takes place, of provisions being introduced for requiring annual balance sheets, and provisions of that sort?—I do not see what good it would be; it is great labour and expense. I would say, tempt men to be provident themselves. If you limit them to a share in that way, I think that you do as much as you need.

6891. Would you wish to see any controlling power vested in the hands of the registrar? I mean with reference to the acceptance of rules?—The rules are all now certified.

6892. Would you think it desirable that he should have a power of doing more than merely requiring that the rules shall contain certain things specified?—I do not exactly see the benefit of it. At present he certifies that the rules are according to law; that is

his limit. I do not myself see any benefit which would result.

6893. I think that you have stated that in Sheffield these societies, which have largely increased, have been chiefly for the benefit of the small householders? that the members of these societies in Sheffield were chiefly persons of small means?—No; that is where the thing operates to their advantage, where they are of small means; but in many cases people use the society as a mode of investing their money, and then it goes into the hands of speculators to build the houses.

6894. What should you say has been the general effect of these societies in Sheffield within your experience?—I think that it has been mischievous.

6895. Will you mention specifically in what respect?—They tempt men without any capital of their own to begin to build; they borrow money from a society and run into debt.

6896. Do you mean that you object to members building houses for themselves instead of investing their money in houses already built?—No; it is speculative builders building houses not for themselves, but merely to let, and to try to make a profit if they can.

6897. Then you mean that the societies are chiefly in the hands of these speculative builders, rather than of independent persons?—Yes.

6898. And therefore, in your opinion, they work mischievously?—I think so.

6899. (*Mr. Bircham.*) Can you call attention to anything unlawful which these societies do?—No, I cannot.

6900. Then the abuse amounts to this, that they avail themselves in these large operations of privileges intended by the law for the encouragement of small operations?—Yes. But supposing that the law had never been passed, still associations could unite themselves together in the nature of partnership, and just do the same thing. When there were usury laws, the objection was that they paid more than 5 per cent., namely, that they paid interest on 120*l.* when they only received 100*l.*, but the usury laws are now done away with, and it is a pure question of profit and loss amongst the members themselves.

6901. Then the public mischief which you point out is, that the law having given certain privileges for the encouragement of societies, and for the inducement of poor men to make savings and get buildings of their own, comparatively large capitalists come in and take the privileges of these societies, namely, the exemption from stamp duty, and things of that sort?—Yes.

6902. And so give undue encouragement to speculation?—They do. The only advantage which they have is as regards the stamp duty. They could otherwise do it amongst themselves as private associations, but I think it would be exceedingly useful if it could be absolutely limited to 150*l.* to each member.

6903. Except that the same combination could take place, if the parties were willing to do it, without the privileges which the law has intended for other purposes?—Yes; but why I have always advocated building societies on a lower scale is this: a man paying on a 150*l.* share does not pay much more than the rent of the house, and in about 12 years the house is his own, if he is provident and careful.

6904. Have you known positive mischief arise to any members of the artisan population from these societies?—Yes; I have known mischief to arise in this way,—they have been led into building themselves, and have got into debt, and have ultimately been forced to go through the court.

6905. You mean men who would not have gone into that, if they had not been tempted by the supposed facilities of the building society?—Yes, I have known many instances of that kind.

6906. (*Mr. Richards.*) You have spoken of the high rate of interest which is paid by borrowers in your Sheffield societies?—No, they only pay 5 per cent.

6907. I understood you, in answer to the Chairman, to say that the interest paid by them, including fines,

premiums, and other charges, was very high?—Yes, taking it altogether.

6908. What do you consider that that amount would be?—It would be, I should think, 8 per cent.; from 7 to 8 per cent. I should think so, but that is a mere offhand calculation unless you know all the details. The premium used to be 10*l*. They have now limited it to four or five guineas.

6909. As I understood you, they pay 5 per cent. interest on the money borrowed?—Yes, not only on the money borrowed, but on the nominal amount.

6910. That is, 5*l*. more than they receive?—Yes.

6911. What other payments do they make?—I believe that there are various committee fees, every time that the committee have to inspect the property—10*s*. or 15*s*. every time that the parties want an advance.

6912. How often do they want an advance?—Always from a fortnight to a month. They cannot carry on longer.

6913. Do you mean to tell the Commission that there are a great many fees paid for inspection of houses?—I understand that there are fees, but what they are I do not know.

6914. Then how do you make out your 7 or 8 per cent.?—By the drawback from the money originally.

6915. That would be 5*l*. upon 100*l*.?—It is so now. It used to be about 10*l*. Some have a premium of 8*l*., and then there is the inspection, and there are the committee fees.

6916. Have you any practical knowledge which enables you to tell the Commission that the interest would amount to 7½ or 8 per cent.?—I never made a calculation.

6917. Then you do not know?—I do not; but I have no doubt that it will run up considerably.

6918. What are the class of people whom you describe as large capitalists, who are benefited by building societies?—The persons who invest in a number of shares, and do not receive them out until the end of the society.

6919. The investing members?—Yes.

6920. Does your answer as to large capitalists intend to imply men of large means?—No; I think that the words "large capitalists" were suggested to me. I did not intend them. None of the persons, I daresay, are men of more than 4,000*l*. or 5,000*l*. who invest their money in this way.

6921. Then, in answer to Mr. Bircham, when you spoke of large capitalists, you rather wished to convey the answer that men make a business of building societies?—The surplus money which they have they invest in them, as paying a better interest. Men perhaps in good circumstances, realizing something for themselves, will subscribe so much, knowing that ultimately so much money will come. They do it out of the profits of their business.

6922. Then they are not large capitalists?—No; they are mostly men with good businesses.

6923. Is it your experience that investing members are more plentiful than borrowing members in societies of this description, and that there is a plethora of money in the societies in Sheffield?—The amount from the investing members is little, compared with the amount which is borrowed on loan.

6924. Is there a sufficient outlet for all the money which investing members pay in, and which can be readily borrowed at 5 per cent. interest?—You mean within the neighbourhood of Sheffield?

6925. Yes.—I do not know. I cannot say that. I had no idea that the money which had been advanced to these societies had been so much as it is.

6926. Do you know whether the competition amongst these societies is so great that they lend money pretty nearly to the full value of the property mortgaged to the society?—I believe that they lend near upon it, not exactly to the full value. They guard themselves as well as they can.

6927. How much do they keep within the value?—Whatever they can; but I do not think that there is any precise estimate of it. A man goes on as far as

he can, and in many instances the society have to take the buildings and finish them themselves.

6928. Do you know of many cases of that sort?—There are many such cases just now. I was concerned in one only the day before yesterday.

6929. You are speaking of your experience in Sheffield?—Yes.

6930. What number of cases of that sort do you think have occurred within your own knowledge?—A considerable number, I should say, within the last three or four years chiefly. It has been when the societies have got on a little, and when they have become so numerous that that effect has developed itself. I could not exactly say how many cases there have been, but I know several cases, and I know the properties.

6931. That result would be brought about by there being too much money at the disposal of the societies?—It is so. The facility is afforded by the society, and then the needy man avails himself of it.

6932. And he gets the full value of all that he has put upon the ground in the way of building; how is that an injury to the needy man?—He has got into debt; he has nothing of his own; he and his family want keeping.

6933. I understand you to say that he gets from these societies the full value of what he has put upon the ground?—As nearly as he can; they check it as well as they can. But a man gets out of the way of working; he gives over taking off his coat and bending his back; it encourages looseness of conduct.

6934. You mean that the facilities with which he can obtain money are detrimental to him in his occupation?—Yes, I know it.

6935. (Mr. Bircham.) Has it occurred to you that any limitation of the power of building societies to borrow would be useful?—No, but I will tell you what I think they should do. A calculation which I have had to make lately, previously to coming here, has taught me that they have a very large sum of money in their hands, and I think that they ought to make a return of what they receive in interest, so that the parties who receive interest should pay income tax like the rest of us. If a million of money is advanced in that way, that million of money does not pay a single penny to the income tax. I would compel the societies to make a return.

6936. I think you perhaps hardly understood me. In your judgment, would it be desirable that the power of these societies to borrow should be limited by law?—No; I do not see any good in that, if the money can be usefully employed.

6937. You were pointing out that there was an undue facility of getting money on the part of the applicants to these societies?—Yes.

6938. And that arises from the facility with which the societies themselves acquire money for lending?—Yes; and if the people are willing to lend it there is an end of the difficulty. If you were to say that a society, where the contributions were 5,000*l*., should only borrow 5,000*l*., you might limit it in that way, but I do not see that in the long run much benefit would result.

6939. (Mr. Bonham-Carter.) Your opinion is, that the transactions, so far as regards individual members, should be limited to the holding of one original share of 150*l*.?—I think so,—to enable a man to build a house, or to buy one.

6940. Are you aware that the wording of the original Act, whilst it limits the amount of the share, still in the preamble states that the share may be for the purchase of one or more dwelling-houses?—Just so.

6941. Then if the Act contemplated the purchase of more dwelling-houses than one, does it appear to you that the man was to live in both?—No.

6942. Supposing that the original idea was to enable members of the working class to obtain, up to the amount of 150*l*., a house, or houses, was it not rather in the nature of a savings bank, and that if there was a limitation in money, it was not also



*Mr. J. Ryalls.* necessarily a limitation to a house for the man's own residence?—Certainly not. I do not care whether he buys it for an investment or to live in it himself.

26 May 1871.

6943. It is clear that the intention of the legislature was not to limit him to his own residence?—Just so; but for 150*l.* you cannot very well buy two houses, or they must be very small houses.

6944. Assuming that the original intention was to put a limit, and to make that limit a share of 150*l.*, it is quite clear that the original Act did not put an effective limit?—It did not.

6945. You yourself, I think, have stated that a member, even if he were limited to one share, could easily obtain single shares in more than one society?—I have no objection to it if he can pay it.

6946. You would have no objection, if there were 10 societies in Sheffield, to a man having a 150*l.* share in each of the 10?—No, it would operate in this way, that unless he was a man saving money he would not do it, because the cost would be so great.

6947. Would it not be a very serious thing, building societies having grown to the immense extent that they have, to come down upon them with legislation which at once should say, hereafter no man shall take more than one share of 150*l.*?—I think not. Those things which have gone on must continue as they are.

6948. All this organisation having been created, do you think it possible for the legislature with any fairness to say, you shall contract all your business at once to single shares of 150*l.* for any one member?—I do not see that that is a business; they may as well unite for that purpose as not.

6949. You think that it is possible for the legislature to do that?—Yes.

6950. And you think that there would be no strong remonstrance?—I can very well understand there being a strong remonstrance.

6951. It having been pointed out to you by Mr. Bircham that the proceedings of these societies are perfectly legal under the Act, and that they have grown lately, though perhaps contrary to the original intention, to this immense extent, not being checked by any Act of Parliament, or by any public views of any sort in Parliament, do you think it would be quite fair and just to say, This on account of some abuses is a thing which we must put an end to at once?—You would not put an end to the present societies, they would go on as they are, it would only be the future societies.

6952. Do you think that societies in which we find that members hold 10, 20, 30, or 40 shares, would not consider themselves put an end to, if you said that no member should hold more than one share?—There would be no *ex post facto* law about it.

6953. Would not there be a natural tendency, unless you put a very strong limit, to endeavour to carry on the same business by evading a limit which was not strongly enforced?—No doubt such an effort might be made.

6954. How would you enforce the limit? would

The witness withdrew.

you do so by the supervision of a board in London?—I think you might say that a man should only have that amount of interest in any building society.

6955. Would you say that any transaction upon the basis of men having two shares should be null and void?—No; but only that they should have no privileges by law. People can associate themselves as they like until it becomes an open mischief.

6956. Would you change the practice of the societies, and allow a joint stock company (if they were converted into joint stock companies) to deal with large sums?—I would not have them altered at all except as I tell you, namely, that they should be limited to 150*l.*

6957. But you do not suggest to us any mode by which that limit of 150*l.* should be practically enforced?—I cannot see any way of doing it, except by making an absolute limit that no man shall have more than 150*l.*

6958. So far as affects the exemption from stamp duty, you do not propose that all transactions within the society should be liable to stamps?—If they were limited to 150*l.* let them have the benefit of it; it is very little now.

6959. Whenever a man paid in his contribution, would you make him take a stamped receipt?—I think that he does not now.

6960. He does not, but would you withdraw that exemption?—No, I think that I should not. So far as the societies are useful, I would afford a facility of that kind.

6961. (*Chairman.*) Do you know anything about land societies at Sheffield?—Yes, I know that there have been many land societies, and I have looked upon them as rather beneficial. The way in which they were abused was, that some men took seven or eight shares on speculation, hoping that they could dispose of one or two of them; but on the whole they have been beneficial, inducing a man to take the land and build a house for himself. At Norton there are some houses not very much bigger than this table, built by land societies, but still the house is the man's own house.

6962. Is there any connexion between the land societies and the building societies?—There is no immediate connexion.

6963. What do you mean by "immediate connexion"?—The funds are not advanced by a building society to enable you to buy shares in a land society. I never heard of anything of that kind.

6964. Have the rules of any of these land societies been certified as those of building societies?—I never was concerned with one, and therefore I do not know whether they were or not, but no mischief has arisen from them.

6965. Do you know in what manner they act?—In the nature of a joint stock company. They are very useful in my own neighbourhood. At Hecley some very respectable houses have been built, and they keep the land to itself, and it is a very respectable neighbourhood.

MR. FREDERICK INGOLDBY and MR. JOHN INGLE examined.

*Mr. F. Ingoldby.*  
*Mr. J. Ingle.*

6966. (*Chairman, to Mr. Ingoldby.*) I believe that you represent the "Planet" building society as chairman?—Yes, as chairman of the society.

6967. Have you brought with you any balance sheets or reports?—Yes (*handing in the same*).

6968. How many years has the society been in operation?—What I have produced is the 22d annual report; the society had existed 22 years last September.

6969. What is the number of its members?—Between 5,000 and 6,000.

6970. What is the amount of a share?—50*l.*

6971. I see that the total amount received by the society during the year ending August 1870 was 451,167*l.*?—Yes, that was the gross income.

6972. Of that there is an item of 294,362*l.* deposits and investments?—Yes.

6973. Does any of that represent payments on shares, and if so, how much?—More than one-half.

6974. The remainder is money received on deposit?—Yes.

6975. Have you any limit to the amounts of the sums which you receive on deposit?—Yes, there is a general limit according to our rules, by the amount which we can employ.

6976. Is there any limit to a single deposit? that is to say, as to how much a man may deposit?—No, there is no limit to a deposit in that way.

6977. What is the largest deposit which you have had?—I think that about 15,000*l.* is the highest

amount. The average amount deposited by each depositor is 300*l*.

6978. What interest do you allow on deposits?—Generally speaking, 4 per cent., and sometimes 5 per cent., if the money is lent for a fixed term; it is 4 per cent. if withdrawable on three months' notice now; the notice required used to be 30 days.

6979. Is that the notice which you now require in all cases of deposit?—Any amount which is taken upon deposit, except on agreed terms, is now liable to a notice of three months.

6980. Then may I take it that nearly all the amount of money deposited with you requires three months' notice of withdrawal?—No, not all.

6981. I said nearly all?—I should think not more than one-half; the old depositors would only have to give 30 days' notice.

6982. Have you lately varied the rate of interest on your deposits?—Yes, it is generally speaking reduced to 4 per cent.

6983. Formerly you gave more?—We gave 5 per cent.

6984. Did you reduce the amount of interest with a view to check the amount of money deposited with you?—Yes, we had not so free an outlet for the money; it was really to check the amount deposited.

6985. You have said that the amount of your shares is 50*l*. Are any of them taken as paid-up shares?—Yes, a great number.

6986. With regard to those which are not paid-up shares, in what payments are they paid?—There are subscription shares, and there are part paid-up shares; subscription shares are paid up at the rate of 5*s*. per share per month. The part paid-up shares are paid up at the discretion of the shareholders, in sums of from 1*l*. upwards.

6987. Do most of your shares come under the description of paid-up or part paid-up shares?—We have three classes, namely, paid-up shares, part paid-up shares, and subscription shares. I see that rather more than a year ago we had upwards of 12,000 paid-up shares, and upwards of 12,000 part paid-up shares, and over 6,000 only of subscription shares.

6988. You have spoken of your number of members being between 5,000 and 6,000?—Yes.

6989. Of those members, do those who hold but one or two or three shares apiece mostly hold the subscription shares, or the paid-up shares, or the part paid-up shares?—We have a great number who hold one paid-up share, or two paid-up shares. I should think that the small investors either have subscription shares now running, or have been able to pay them up in a series of years, so that they now remain the holders of paid-up shares. You will understand that the subscription shares, when the amount is paid up, are allowed to remain as paid-up shares.

6990. I suppose that no interest is paid upon the subscription shares until they are paid up?—No, it is reckoned year by year, but it is not paid.

6991. Is it paid on the part paid-up shares?—Yes, it is paid half-yearly.

6992. What is your rule with regard to that? When does the payment of interest commence on a part paid-up share?—Immediately, the first payment being reckoned from the end of February and the end of August in each year. The interest is made up at those dates.

6993. I understand that, with regard to a subscription share, the interest upon the payments on that share is allowed to accumulate to the profit of the member until it has become a paid-up share?—Yes, according to the rate in the rules.

6994. But the same practice is not followed with regard to part paid-up shares?—No; part paid-up shares are allowed to remain as such, and interest upon them is paid half-yearly.

6995. How much is paid up on these part paid-up shares?—From 1*l*. to 4*l*. The minimum is 1*l*.

6996. Does that share remain at 1*l*. paid up, and nothing more?—It might do so, according to the rules.

6997. Is it your practice to allow it to do so?—It was the privilege of the members to allow that to be so. The rule has been altered, and a part paid-up share, under the amended rules, must now be of the value of 10*l*. at least.

6998. Then you pay interest upon that 10*l*.?—Yes.

6999. Does the law allow you to do so?—The rules have been framed in accordance with the old Building Societies' Act, and they were duly registered.

7000. Is not there a provision in the law that interest shall not be paid upon a share which has not been paid up?—I am not aware of it.

7001. Are you acquainted with the Act of the 6th and 7th William the 4th, chapter 32, the Benefit Building Societies' Act?—Yes.

7002. Are you acquainted with the following provision, at the end of the first clause of that Act, "That 'no member shall receive, or be entitled to receive, 'from the funds of such society any interest or dividend by way of annual or other periodical profit 'upon any shares in such society until the amount of 'value of his or her share shall have been realised, 'except on the withdrawal of such member according 'to the rules of such society then in force?'"—We take that to mean only the subscription shares.

7003. But your part paid-up shares are "shares in such society," are they not?—They are shares more in the rank of deposit shares than of current subscription shares.

7004. Has the question ever been raised as to the legality of your paying interest upon these shares?—I think not.

7005. Do your rules contain any provision with regard to the payment of interest upon these shares?—I think so. "Interest at the rate of 5*l*. per cent. per annum shall be added to all subscription shares of '12 months' standing, and to all paid-up and part paid-up shares of three months' standing." That is rule 14, at page 19.

7006. But does not that rule simply provide that interest shall be added, and not that interest shall be paid?—It is our practice to pay interest on these part paid-up shares, regarding them in the light of money deposited.

7007. But that practice is hardly in accordance with these rules, is it?—It is in accordance with the rule here which relates to part paid-up shares.

7008. I do not read these words in that way: "Interest at the rate of 5 per cent. per annum shall be added to all subscription shares of 12 months 'standing';" that is your practice?—Yes.

7009. "And to all-paid up and part paid-up shares of three months standing"?—Yes.

7010. That appears to be not your practice; it on the contrary appears to be your practice to pay interest on those shares, and not to add it?—We add it and allow the parties to withdraw it, just as under the rule any member may withdraw a part of his investments and not the whole.

7011. Which rule is that?—The preceding rule, rule 13.

7012. "Any member desirous of withdrawing his 'investment shall be allowed to do so on giving one 'month's notice thereof." That is your notice of withdrawal of shares, I suppose?—Yes, you will observe that it is wholly or in part.

7013. I do not observe that. I observe that, according to the next paragraph in the rule, you allow a member to discontinue his subscriptions without withdrawing his investment?—Yes.

7014. But that is not withdrawing his investment, is it?—The rule begins, "Any member desirous of 'withdrawing his investment shall be allowed to do 'so on giving one month's notice thereof in writing 'to the secretary."

7015. That is withdrawing the whole, and not a part?—In whole or in part.

7016. I do not see those words in the rule?—We have always acted upon that interpretation of the rule; you will find the interpretation clause at the end. The interpretation has been that the members have the

*Mr. F. Ingoldby,  
Mr. J. Ingle.*

26 May 1871.



*Mr. F. Ingoldby.* privilege of withdrawing part of their investment, and it has been of great benefit to a great multitude of persons.

*Mr. J. Ingle.* 26 May 1871. 7017. Where is the interpretation clause?—It is the 29th rule, at page 40.

7018. That applies to the reference of disputes to arbitration: "The board for the time being, or the major part of them, shall determine all disputes which may arise respecting the construction of these rules, or any of the clauses, matters, or things herein contained," and so on; "and the decision of the board, if satisfactory, shall be conclusive." But no dispute has arisen on this point, has it?—No; we have interpreted the rule to mean that we should allow members to withdraw part of their investments.

7019. Looking at this rule as it stands in this book, do you think that that interpretation appears upon the face of it?—I think so.

7020. Rule 13 says, "Any member desirous of withdrawing his investment shall be allowed to do so on giving one month's notice thereof in writing to the secretary?"—Yes.

7021. (*To Mr. Ingle.*) You are the solicitor of the society?—Yes.

7022. In your view does this rule bear that construction?—My attention has not been called to that point.

7023. Have you read the rule?—Yes. When we were appointed the solicitors of the society 12 or 13 years ago we found that to be the practice, and the practice has still continued.

7024. Now that your attention is drawn to it, do you consider that the rule bears out the practice?—I am not prepared to agree with your construction of the first section of the Act of the 6th and 7th William the 4th. I should not hold that the share referred to in that section was an investment share of the same character as that now under consideration. I should not like to be considered as giving a positive opinion upon that point, but that is what has struck me whilst I have heard the examination.

7025. These part paid-up shares are not known by the name of deposit shares, or anything of that kind?—They are not; but I should say that at the time when the Act of the 6th and 7th William the 4th was passed, there were no such things as investment shares pure and simple, as there are now. The shares contemplated by that Act are shares which a member may accumulate with a view to obtain the power of borrowing from the society, or taking funds to be appropriated for purchasing a house; that is to say, that at that time the members were supposed to accumulate investments in a building society which at a certain period, either in rotation or arbitrarily, they could appropriate for the purpose of buying a house, and they would be considered in our society as borrowing members.

7026. But, as far as I have yet heard, there is no distinction of that kind drawn in your society. May not persons holding any of these shares become borrowing members?—Yes; but they would then take up a different class of shares altogether. They would then take up so many building shares. It is perfectly competent for A. B. to have an investment of 10*l.*, 20*l.*, or 30*l.* in the society as an investment share, and then to buy a house, and to take up as many shares as he requires, and as the society is willing to allot on mortgage of that house, and still to maintain his investment; and we constantly find that to be the practice.

7027. That is simply the difference between an advanced member and an unadvanced member, but any borrower may become a member if he chooses? The class of shares is precisely the same, is it not?—Not precisely the same, in my view. As I understand the terms "advanced" and "unadvanced," an unadvanced member is a member who has paid in certain subscriptions, with the view at a future time either to take out a specific sum, or to obtain an advance on the security of property; and if he elects to obtain it on the security of property, he can become an advanced

shareholder, and he perhaps gets more *pro tem.* than he otherwise would be entitled to receive as an unadvanced shareholder.

7028. Can persons holding these paid-up shares become advanced members of the society?—They may become borrowing members, as we term it.

7029. Without taking any other shares?—I understand that A. B. has, say, four paid-up shares; he may leave them just as they are and take his interest, and he may also become a borrowing member, and for that purpose he would take up as many shares as he required of 50*l.* each, in respect of which he would have to pay monthly instalments.

7030. But supposing that, instead of taking fresh shares, he prefers to pay up these shares fully, and to become a borrowing member upon them, may he not do so?—No; he would then become a borrowing member. Supposing that he had 500*l.* as an investing member, and wanted 500*l.* to buy a house, he would withdraw his investment, and his relation to the society would cease, unless he had some other interest.

7031. But does he not hold the same shares?—No, he would withdraw his investment *in toto* in the case supposed.

7032. He withdraws the money, but he holds the same shares?—No; the shares are then cancelled and disposed of, in the case supposed. Say that a man has 500*l.* of investment in our society on partly paid-up shares, or fully paid-up shares, and that he wants 500*l.* to buy a house, he withdraws his shares, and his relation to the society ceases, unless he has some more money in it.

7033. Does he not remain a shareholder?—No, he would not in our society. We draw a more radical distinction between investing members and borrowing members than, I believe, is known to other societies; they are quite separate interests and separate relations altogether. As I understand the theory of advanced and unadvanced shareholders, they begin together at one time.

7034. Not necessarily?—That is to say, they commence by a payment in. Now a man may come out of the street and become a borrowing member, without having any investment at all in our society. As I understand those terms, they are more applicable to a terminating society than to a permanent society, which ours is.

7035. Do you not consider a borrowing member a shareholder?—No, I consider him a member.

7036. In his repayments for the advance which he has obtained, is it not the idea that he pays a subscription of so much per month per share, and a certain sum in addition upon the amount which he has obtained as an advance?—Yes, but it is all amalgamated, it is 8*s.* 6*d.* per month per share, and that 8*s.* 6*d.* includes principal and interest.

(*Mr. Ingoldby.*) There is a further provision at the end of rule 14, at page 20, which is in conformity with the clause in the Act of Parliament to which you refer: "No interest or profits shall be paid on any such share except on withdrawal thereof." That in some sort fixes the non-withdrawal of interest to subscription shares, and by implication it leaves the paid-up shares and the part paid-up shares upon a different footing.

7037. I see that the last paragraph of that rule refers to the subjoined table as to the payments?—Yes.

7038. And it goes on to say, "This table also shows the amount any member is entitled to receive for a share or shares, whether to assist him in building or purchasing, on securing an allotment of building shares, or on withdrawal, according to rule 13. No interest or profits shall be paid on any such share except on withdrawal thereof." That seems to me to be inserted on purpose to carry out the provision in the Act of the 6th and 7th William the 4th?—Yes, that is the distinction which I made, that we regard these as the proper shares of the society; and that paid-up shares and part paid-up shares are

more in the relation of deposit shares, and are entitled to interest half-yearly.

7039-40. You practically draw a great distinction between your shares; you look upon these part paid-up shares in the light of deposits?—Yes, the preceding rule draws that distinction, the first clause of rule 12.

7041. Are the holders of the part paid-up shares entitled to attend the meetings of the shareholders, and to take part in the management of the society?—Yes.

7042. Are they on the same footing in this respect as the holders of subscription shares?—Yes.

7043. Are the holders of paid-up shares in the same position?—Yes.

7044. Are your depositors allowed to attend the meetings and to take part in the management of the society?—No.

7045. Then is there not at once a radical distinction between your depositors and your shareholders?—Yes. In conformity with the rule all people who have money on shares are members of the society; depositors are not members.

7046. Are those persons who have become borrowing members in the same position as holders of paid-up, part paid-up, and subscription shares, as regards the attendance at meetings, &c.?—We believe that they are; there is nothing in the rules to disqualify them. They were constituted members by paying an entrance fee upon one share or more.

7047. Are you speaking of depositors?—No, I am speaking of all except depositors.

7048. What amount of interest do you pay upon the shares?—Five per cent. All shares of five years' standing have a right to a share in the profits, in the proportion of nine-tenths of the profits.

7049. What was that during the last year?—Four per cent. profit.

7050. What is the total interest which those shareholders receive?—Nine per cent. per annum.

7051. From what source did those profits arise?—From the premiums paid on building shares, and the profit from interest; those were the two sources of profit. The interest charged is higher than that which is paid. This is a source of profit. Then the premiums upon building shares are a source of profit, and a balance of profit was carried forward from the year before for division.

7052. What are the premiums?—The premiums are from 3*l.* to 5*l.* per share.

7053. From 6 to 10 per cent?—Yes.

7054. How is it that they vary from 6 to 10 per cent.?—It is according to the demand. A great many securities were offered, and the premiums were raised.

7055. Do the directors fix the rate of premium for each year?—Not for each year, but for any month or succession of months.

7056. What has been the average rate since your connexion with the society?—A little over 3*l.* I should think 3*l.* 10*s.* per share. That would be 7 per cent.

7057. What is the rate of interest paid by borrowing members?—About 5½ per cent.

7058. Is that calculated yearly on the amount due from them?—No, it is according to a scale which is in the rules, so much per share.

7059. In what sums are the repayments made?—The sum varies according to the number of years for which they have borrowed. For 14 years, on a uniform scale, it would be 8*s.* 6*d.* per share per month; that would include principal and interest. In other words, any borrower paying 10 per cent. per annum for 14 years would clear off his loan, and have his property free, so far as the society was concerned.

7060. Have you a reserve fund?—Yes.

7061. Does it consist of the balance of profit?—No, the reserve fund consists of one-tenth of the profits, carried forward from year to year. Some years ago that reserve fund was included in the profits, and divided again, but for the last few years, after an amendment of the rule, we have allowed that reserve

fund to accumulate. It is distinct from the balance of profit carried forward for division.

7062. The reserve fund now amounts, I see, to 9,499*l.*?—Yes.

7063. From what source are your management expenses paid?—From the amounts received for interest over and above the interest which is paid, and also from the premiums, and partly from fees and fines.

7064. What are the fees?—The transfer fees and entrance fees.

7065. The entrance fee is 2*s.* 6*d.* per share, is it not?—Yes.

7066. What is the transfer fee?—2*s.* per share. In some years the amount received in fees, fines, and so on, has paid the greater part of the management expenses.

7067. What is your rate of fines?—It is according to the scale in the rules; it is 3*d.* per month per share in the case of investment shares; that is, 3*d.* the first month, 9*d.* for the second month, and 1*s.* 6*d.* for the third month, for the fourth month 2*s.* 6*d.*, and so on; it goes on increasing.

7068. What is the monthly payment upon which that fine is levied?—5*s.* per month in the case of investment shares.

7069. That amounts to a very high per-centage after two months?—Yes, but there is a drawback of interest in the case of a member paying the fine; he has his interest added to his shares as though he had paid.

7070. What is the rate of fines upon the nonpayment of advances?—It is double that upon investing shares, 6*d.* for the first month, 1*s.* for the second, and 1*s.* 6*d.* for the third, and so on, adding 6*d.* per share per month. It varies in some of the classes; it is rather higher when not associated with the uniform payment.

7071. Do you mean upon those classes whose advances are repayable in a shorter period, or what do you mean?—My remark applies to all those persons whose advances are to be repaid in a shorter period;—the fourth and fifth classes in each division.

7072. Has any complaint been made by members of the society of the high rate of fines?—Yes; those who have had to pay them have complained.

7073. Is there any power vested in the directors to excuse the fines?—There is no positive rule upon the subject, but in practice we have been sometimes obliged to mitigate the fines.

7074. Have you annually received a considerable sum from fines, or not?—Yes, I think considerable sums. In the last year, by the balance sheet, it appears that we have received 1,435*l.* 4*s.* 3*d.* for fines.

7075. Is that the average of your receipts from that source?—It is perhaps higher than the average; the year before it was 1,079*l.*

7076. What are the solicitors' and surveyor's charges upon borrowing members?—The solicitors' charge is a fee of five guineas for a mortgage, including the registration fee. You will find it on pages 14 and 15 of the rules.

7077. Is that irrespective of the amount of the mortgage?—Where two shares are advanced it is four guineas; "but if more than 20 shares are allotted, the solicitors shall be entitled to charge such additional sum as the directors may deem reasonable, having regard to the circumstances of each particular case."

7078. Does that sum include all the charges of the solicitor which are necessary for the purpose?—Yes.

7079. Does it include the investigation of title?—Yes, for the purposes of the mortgage. For an assignment the solicitors have a fee of four guineas, exclusive only of stamp duty, unless the property is situate in the county of Middlesex, and then there is an additional sum of one guinea for registration.

7080. What are the charges of the surveyor?—You will find them on page 13: "For five shares "and under, one guinea; above five and not exceed-



Mr. F. Ingoldby.  
Mr. J. Ingle.

26 May 1871.

"ing 12, two guineas; exceeding 12, three guineas." If the property was situated at a great distance, the surveyor would be entitled to such further fees as the board of directors might think reasonable.

7081. Is the survey work generally done by a professional surveyor, or by a survey committee?—It is always done in the first instance by a professional surveyor.

7082. Then the survey committee only act where there is any difference of opinion?—Yes, and where the directors think it desirable that the neighbourhood should be looked at by themselves before they advance money.

7083. They are recompensed by a fee of one guinea for five shares and under, and 2s. 6d. for each additional share?—Yes.

7084. These charges for the solicitor and the surveyor are in all cases paid by the members obtaining advances, are they not?—Sometimes the board of directors have desired a survey committee to see the property at their own expense, that is, supposing that they should think that an advance was not desirable upon such property.

7085. Have you ever estimated, taking all these payments into consideration, the charges, the premium, and the rate of interest, what interest is really paid by members who obtain these advances?—I should think that they pay in this society  $6\frac{1}{2}$  or  $6\frac{3}{4}$  per cent. if the premium happens to be high at the time of their advance.

7086. In what amounts are your advances usually made?—The average would be, I suppose, from 300*l.* to 400*l.*

7087. Could you state any instances of large advances?—Some members have had several advances upon different properties.

7088. To what amount?—In the long run going up perhaps to 5,000*l.* or 6,000*l.*, in extreme cases.

7089. Have those members been builders?—Yes, some have been builders.

7090. Have they obtained advances for the purpose of building, or upon houses already built?—We never advance upon buildings which are not partly up. They are not entitled to any advance at all until the buildings are covered in. We seldom advance even when they are covered in. The buildings must be in a state of forwardness before the advance is made, and there must be a proper estimate made by the surveyor of what it will cost to finish them.

7091. Has the society sustained any losses by advances of that description to builders?—No material losses. Up to two years ago we could say that we had made no loss in 20 years. We had property in hand, but which was paying tolerably well, and taking the long run it would repay the advances.

7092. What is the estimated value of the property which you have now in hand?—I can scarcely answer that question. I have not estimated it.

7093. What advance was made upon it?—I can scarcely answer that question, either as to the amount of property or as to the amount of the advances.

7094. I mean simply with reference to the property which you have in hand?—Yes.

7095. I see that in the receipts of the society there is an item of 1,392*l.* 10s. 6d. from survey fees?—Yes, that is the sum total received from the borrowing members.

7096. But I understood that that went to the surveyor, or to the survey committee, as the case might be; how is it that it appears in the receipts of the society?—It has been the custom to put it in, and on the other side is entered the amount paid out.

7097. Which is rather in excess of that received?—It was so last year; in the year before it was rather less. We had occasion to look after the property in hand, and we paid fees to the surveyor or to the survey committee for that purpose.

7098. What is the item of 2,323*l.* 7s. 2d. for ground rent, taxes, &c.?—Some of the borrowing members are somewhat careless as regards the ground rent, and we

have to pay it *pro tem.* and to recover it from the members.

7099. Have you sustained any losses from that practice?—I do not think that we have sustained any loss. We wrote off at the close of the last year an amount as contingent, and we were doubtful as to the recovery of some portion. I believe that these amounts have mainly come in since.

7100. There is another item for the purchase of stock, 18,902*l.* 14s. 9d.?—Yes.

7101. What is that?—It includes the reserve fund, and the amount which is kept in reserve because of our depositors.

7102. That simply represents the investment of the reserve fund?—Yes, the reserve fund proper, and the reserve fund in relation to the amount which we take on deposit.

7103. In this account, the value of your investments and deposits, with interest added, appears as 1,039,509*l.* 15s.?—Yes.

7104. And the amount secured by deeds, which I suppose means the amount outstanding on mortgage, is 1,043,140*l.* 18s. 5d.?—Yes, that was on the 31st of last August.

7105. A considerable amount of ground rent is due to you from borrowing members, 3,397*l.* 14s. 5d.?—Yes, that is the amount due.

7106. What is No. 7, Finsbury Square? Is it property which you have on hand?—No, that is the office.

7107. Generally speaking, in what position are the members of your society? Do they come from the artisan classes, or from what class?—A great many are of the artisan class. There are a great many of the minor tradesmen who are able to save a little. We have also a great many clerks and warehousemen.

7108. Is there any difference in the class of those persons who are investing members and those who are borrowing members?—Not a material difference. We have been disappointed in the number of the artisan class who have taken advantage of this society.

7109. Have you lent on mortgage in many instances beyond the metropolis?—Not in many instances; in several localities we have lent; we have lent a good deal in the Isle of Wight.

7110. To what class of persons?—To some persons for their own occupation.

7111. Do you mean upon villas?—Yes, and cottages, and double cottages.

7112. In what part of the Isle of Wight?—Ryde and Shanklin, and some at Ventnor.

7113. Is not house property there rather of a speculative character?—I think that it is so at present.

7114. Do you encourage advances there?—No, we have not made any lately; but there is some very good property there.

7115. I think that you wish to refer to some points in connexion with the law relating to building societies, as to their incorporation?—Yes. We have felt that something like incorporation is very desirable and almost necessary for the easy working of such societies. We were so impressed with the desirability and the necessity of something of that kind, that rather more than a year ago we applied for a bill of incorporation.

7116. A private bill?—A private bill. That bill was prepared, and its provisions were sanctioned, by a very large meeting of the shareholders, who agreed that the society should bear the expense of the measure.

7117. What particular advantages do you expect to derive from incorporation?—In the first place, the abolition of the trusteeship, which has always been a very great inconvenience in relation to building societies. In the first few years of the society the trustees were occasionally resigning, and we had to appoint others. The change of the trustees involved considerable trouble and expense.

7118. Do you mean that they objected to their liability?—I think that they objected rather to the non-remuneration for their services; they were asked

*Mr. F. Ingoldby*  
*Mr. J. Ingle.*

26 May 1871

to sign cheques and to sign deeds, and they had no fees.

7119. (*Mr. Roundell.*) Have you a copy of your bill?—Yes (*producing the same*).

7120. (*Chairman.*) Do you think that building societies might be incorporated under any existing Act?—I think so. I think that they might be incorporated under the Limited Liability Act; it is some such form of incorporation that we desire. It is a very great inconvenience to have the trustees made parties to any legal matters in any suits of ejectment or any law proceedings.

7121. It is, I suppose, rather a question of convenience?—Yes, and it is also a very great annoyance to the trustees to have their names continually before the public as plaintiffs or defendants in any actions.

7122. Do you wish to see any alteration or definition of the present liability of members of building societies?—Yes, I think that is a very important point. The legal decisions have been so conflicting during the last four or five years, that the uncertainty has from time to time led to a sort of panic amongst the members; they have consequently felt a kind of insecurity, and this is all important to those whose all (of little amount in itself) is of necessity invested in a society such as this.

7123. What do you hold to be the present liability of members?—That is a legal question; fortunately the members have not many creditors, but they are liable as far as they have creditors.

7124. You, I suppose, do not refer to the borrowing members; they have no liability, have they?

(*Mr. Ingle.*) There are conflicting opinions upon that point, and there have been conflicting decisions.

7125. But you want some alteration of the law upon this point, or some explanation of it?—Yes.

7126. What is your view?—I think that in the Doncaster case it was held that the advanced and the unadvanced members were liable to the creditors.

7127. By the creditors do you mean the depositors?—I do not know who the creditors were in that case; but there might be liabilities, not merely to creditors, but *inter se*.

(*Mr. Ingoldby.*) We think that borrowing members ought to have no liability beyond the repayment of their advances with interest.

7128. Your society has borrowing powers, has it not?—Yes.

7129. How is the society to exercise borrowing powers without liability on the part of its members?—We think that the funds of the society ought to be liable for any sums borrowed under its rules, and within the compass of its rules, without the liability falling upon the particular directors who happen to have signed the scrip.

7130. Then the liability to which you refer is the liability of the directors?—We think that the limit of the liability should be to the extent of the investment shares, as in limited liability companies.

7131. But to that extent do you think that the members of building societies should be liable to the depositors?—Yes, I think that the funds of the society should be liable. The investing members of the society take all the profit which is made from taking up money by way of deposit.

7132. How do you define the funds of the society?—The assets.

7133. I must ask you to define the assets; how do you define the assets of the society?—You have the amount to be repaid.

7134. The amount outstanding on mortgage?—Yes, which is repaid monthly; you have the ground rent to be recovered if any has been advanced; you have the value of the lease, and the office furniture, and the reserve fund, and the cash in bank, and the cash in hand.

7135. But you will observe that there is nothing there at all with regard to a considerable number of the members of the society,—I mean the investing members?—They have furnished the funds which have been thus invested; those funds constitute the

funds of the society until all creditors are paid, if there are any.

7136. Are they not creditors themselves, looking at it in that light?—Yes, to the extent of their investments. We imagine that they should not be creditors No. 1. Our depositors ought to be creditors No. 1, because they take a lower rate of interest,—simply their 4 per cent.; the investors share in the concern, and they have a right to interest and profits,—say that they have had 9 per cent. and upwards per annum,—they are creditors No. 2.

7137. Do you think that the investors should be in any way liable to depositors?—The funds invested by them ought to be so.

7138. That is not quite my question; do you think that the investors should be in any way liable to depositors?—Yes; I think that the depositors' amount ought to be the first charge upon all that the society has from investors.

7139. (*To Mr. Ingle.*) What is your view upon that point?—I think that the investors should only be liable, to the extent of the shares they have taken in the society.

7140. (*Mr. Richards.*) Then you mean that their shares should be liable?—Yes.

7141. (*Chairman.*) But their money has been lent by the society upon mortgage?—Yes.

7142. And therefore to that extent the society is liable to them?—Yes, there is a liability undoubtedly.

7143. Then how can you make the investors liable to depositors?—For this reason,—a part of the money which has been advanced upon mortgage has been received from depositors, and by its use an interest and a profit has been made which the investors have realized.

7144. But as what is received from the depositors is invested on mortgage, would not it be a sufficient security for the depositors if the amount on mortgage only was liable to them?—That would depend upon the extent and limit of the borrowing powers. For instance, supposing there was an unlimited borrowing power, that security might not be sufficient; but if (as in our society) only a title could be borrowed on what is invested, there would be much more than sufficient.

7145. What you have received on deposit is a small amount in comparison with your shares as compared with some societies?—Yes.

7146. But still, whatever the society receives from depositors it advances on mortgage?—Yes.

7147. Therefore, supposing the mortgage to be good, is not that a sufficient security for depositors?—Yes.

(*Mr. Ingoldby.*) In the meanwhile, all those who have uncompleted shares, or part-completed shares, ought to pay up; at least we think that it ought to be so, and under the present law it is so.

7148. In your society you have said that the notice necessary for the withdrawal of shares is a month?—Yes.

7149. But the notice to withdraw deposits is now three months?—Yes.

7150. Therefore is not the share capital even more fluctuating, so to speak, than the deposit capital?—There is a qualifying clause under the rule, that the shares shall be paid in rotation, according to the funds of the society. We have never had occasion to put off any of the shareholders, but under that rule we have power to do so.

7151. Is it your opinion, speaking on behalf of the "Planet" Society, that the borrowing powers of the society should be limited, or not?—Yes, I think that they ought to be limited.

7152. What limit would you suggest?—I think that we have proposed two-thirds of the amount invested in shares. I should think that ought to be the maximum.

7153. That carries out your view of the liability of the investing shareholders?—Yes, to the amount of their shares. I think that their liability should be limited to the amount of the shares. The subscription shareholders ought to be bound to go on with



Mr. F. Ingoldby  
Mr. J. Ingle.

26 May 1871.

their payments, and the part paid-up shareholders ought to be bound to complete their shares. Of course the paid-up shareholders would not be called upon.

7154. Would you limit the present power of withdrawal on the part of shareholders?—Not in the withdrawing by rotation. I think that it is very desirable to keep that.

7155. Is that a sufficient check? Does it answer what you speak of, namely, the binding of members to pay up their shares?—I think so. I have sometimes thought that there should be a clause to the effect that the depositors have been previously satisfied.

7156. (*To Mr. Ingle.*) Is that your view also?—Speaking from experience, every investing shareholder has been paid when he has wanted his money, and so has every depositor; we have never yet applied that rule, but if the deposits were to a very large extent, it would then obviously be undesirable that the investing members should be able to withdraw beyond so much per annum. If on the other hand you confined the borrowing powers, say to one-tenth of the assets of the society, then the resources of the society would be equal to repay the depositors, in six or eight months, if every man withdrew his money, and therefore the application of the rotation rule would in my judgment be sufficient after an interval; but it is a very difficult point.

7157. From what you said in the early part of your evidence, I rather gathered that your society exercises borrowing powers in other ways than by taking money from depositors; you have part paid-up shares?—We do not consider that as money advanced; we consider it as money received from shareholders, which they deposit subject to the rules of withdrawal.

7158. But I rather gathered that you did not consider that those shareholders were subject to the provisions of the Act in the same way as the other shareholders?—I should say that they were not, for this reason, that there were no shareholders of that character in existence when that Act was passed. On page 19 of the rules you have this: "If several members shall give notice to withdraw at one time, they shall be paid in rotation, according to the priority of notice; provided always, that the widows and children of deceased members shall have precedence, and after them the holders of paid-up shares." We think that some clause might come in there saying, "Provided always that the depositors are first satisfied." We think that the depositors have the first claim upon the funds of the society.

7159. Turning to another point, you, I think, attach considerable importance to the reserve fund?

(*Mr. Ingoldby.*) We think, and have acted upon it for some years, that the reserve fund ought to accumulate. In our own case it was not ordered so, and in other societies it is not; the reserve is made for a year, and there is an end of it. We think that the reserve fund ought to be an accumulating fund; and that it should be left to the directors, in conjunction with the annual meeting, to dispose of that accumulated fund from time to time.

7160. Do your borrowing members ever pay up their advances before the expiration of the term?—Yes, scarcely any go on for the whole term.

7161. What is done in the accounts with the sums so received?—We re-invest that money on mortgage.

7162. Do you take credit for it as receipts for the year and divide it as profit?—No; it goes into the amount of repayments received. Redemptions and repayments form one item. Any member can redeem by the payment of the amount of principal due; there is the greatest facility for redemption.

7163. Do you think that borrowing members should have the same rights and privileges in the society as other members?—We think not. We think that they ought to be excluded from all privileges as members, such as voting at the annual meeting, for this simple reason, that in the course of years they might be in larger number than the investors, and they might outvote them on any question, even on such a question as the appropriation of the reserve fund, or upon the

question of dividing profits amongst themselves, as well as amongst the investors. We think that their interest, supposing that they are not investors as well as borrowers, should cease when they have had their advance. We attach great importance to that point.

7164. Has any instance occurred within your knowledge where the possession of rights and privileges of this kind on the part of borrowing members has led to harm?—No; but sundry little threatenings have come to one's ears, and some of them have imagined that they had the right of appeal, for instance, to the annual meeting. We have not had a case of that kind, but we have expected it on more than one occasion.

7165. Should you suggest the framing of any standard rules for building societies?—Yes. That is a question rather for the solicitor than for myself.

7166. (*To Mr. Ingle.*) Do you think that it would be practicable to do that?—I think so, taking the Joint Stock Companies' Act, and the articles of association as an illustration. If some articles could be framed which would be applicable to all building societies of any particular class, it would be a very great advantage. The existing rules are very conflicting; they have been prepared for very small societies, and are wholly unadapted for the operations of a society of the magnitude of ours.

7167. I presume that there would be at least three classes of rules, namely, one for the permanent societies, another for the terminating societies, and a third for the Starr-Bowkett societies?—Yes, and I believe there is another class of societies which is now enlarging almost everywhere.

7168. What is that?—I do not profess to be familiar with them but I have heard of them, the industrial societies. There are some in the north, in Lancashire and Manchester, and in the Potteries there are some such societies.

(*Mr. Ingoldby.*) There are some in which a certain number of individuals have clubbed together to cover a certain ground for themselves; they are very small affairs.

7169. (*To Mr. Ingle.*) Should you suggest that rules for each of these classes of societies should be laid down in an Act of Parliament?—Yes; and if you have the same provision as you have in the Joint Stock Companies' Act, the society in question may either take those rules, or others, and I think that you would find that would be very advantageous, because we want a common basis.

7170. That would leave the duties of the registrar, I presume, much as they are at present?—If you ask me my opinion of the duties of the registrar, I think that they are a perfect farce. As far as building societies are concerned, I do not believe that the registration or non-registration of the rules has any operation whatever, because if the rules of the society are *contra leges* they are of no good at all, and disputes arise. For instance, take our own society; we have been threatened two or three times with proceedings as to whether we could levy these fines, and other points to which I might allude. As to building societies, I do not believe that the certificate of the registrar is of any use at all; in fact I should be prepared to argue that it is a great evil in many cases. As to its operation in friendly societies pure and simple I do not wish to say a word, because I am not competent to do so, but after an experience of 13 or 14 years I am of opinion that the certificate of a registrar as regards building societies is a perfect farce.

7171. But supposing a standard set of rules to be framed in an Act of Parliament, it must rest with some central office to see that those rules are adopted, must it not?—Yes. If it was obligatory, so that every building society must take those rules, it would be a convenience, but I think it would be advantageous to have a little latitude, the same as in the Joint Stock Companies' Act.

7172. There again would it not be necessary to have a central office to say what latitude should be allowed?—I do not see that. The registration of a company is

a perfectly distinct act from any opinion being formed as to the legality or advisability or otherwise of the articles of association. Supposing that you could register a building society as you register a joint stock company now, I think that it would be an advantage. The act of registration has no operation whatever on the articles. There is no opinion formed as to whether they are good, bad, or indifferent. As the law is now, any articles of association which you choose to hand to the registrar must be registered.

7173. You are speaking of joint stock companies?—I am.

7174. And you would suggest the same plan for building societies?—Something similar. I should prefer an arbitrary set of rules.

7175. You admit that if an arbitrary set of rules were laid down somebody must enforce their adoption?—Yes; they would then be a part of the law.

7176. And no society would then obtain the benefits of the Act which did not adopt them?—Precisely so.

7177. Do you think that greater facilities should be afforded of altering rules than now exist?—Yes, the alteration of rules is a great nuisance. If you want a clerical alteration, or any small alteration of the rules, you must read the alteration at two monthly meetings; you must give notice to every member of the society, which in our society is a great expense; and you must then come to a public meeting, and perhaps at the public meeting they want something else introduced, and the question arises whether it is within the notice, or contrary to it. After all that, the rule of the registrar used to be that you must take two copies of the rules and indicate the alterations in manuscript, and send a similar copy to the clerk of the peace, so that it is attended with very great expense in our society—the members being very numerous,—and generally takes from three to six months.

7178. What improvement do you think can be made in that practice?—If we could get a standard set of rules, we should not want any improvement.

7179. In fact you would stop alterations altogether?—Yes; but that set of standard rules would not be of such a character as to prevent progress.

7180. If a society has rules, and if its rules require alteration, surely that alteration must be subject to the approval of the members of the society?—Yes. You might meet it in this way; you might say that no alteration should be made except at the annual meeting.

7181. But has not your society perfect power to make a rule to that effect?—There is a clause in the Friendly Societies' Act which determines how you are to alter your rules, and therefore you could not frame any rules which would be contrary to that Act.

7182. We have spoken of the solicitors' charges for mortgages; do you think that any simple form of mortgage could be provided which would be less expensive?—Very much less so. I could devise a shorter form of mortgage, and if it were incorporated in a schedule to the Act of Parliament, and the meaning of the various clauses of the deed were defined, enacted to have such a meaning, the same as we have in some of the Acts which say that a grant shall include certain things, and that covenants against incumbrances shall always be implied, or something like that, it would be very desirable.

7183. What do you think would be the general opinion of your profession upon such a provision as that?—I think that it would be in favour of it.

7184. (*Mr. Roundell*.) As a matter of fact, have not those Acts to which you have referred been ungatory?—They have to some extent, but that has been because they have been imperfectly drawn. But take the School Board Act; there are forms of conveyance in the schedule there for the sites. That is an illustration of what I mean by a simple form of mortgage to a building society, and then a statutory enactment that such a mortgage should be held to comprehend a covenant for payment according to the rules, and a covenant to keep up the insurances and the ground rents, and so forth, might be very simply made,

and it would be an incalculable benefit to the persons for whom building societies were established.

7185. (*Chairman*.) Do you wish to see any alteration in the voting of members of building societies?—Yes. I wish to see every member in the society have a right to vote at the annual meeting by proxy. In our society we have members all over the kingdom, and they cannot afford the expense of coming to London, and a determined minority of the members may carry almost anything in these meetings. You have no means of obtaining the opinions of the majority of the members.

7186. Do you think that the proxies should be stamped?—No, nor the deeds either.

(*Mr. Ingoldby*.) There might be a penny stamp. An adequate representation is one of the principal points which I wish to bring before the Commission. Out of about 6,000 members we should not, at a meeting collected for the important purpose of altering the rules, get 300 present, and there would be a party meeting consisting of agitators intent upon carrying their point, who would pack that meeting to the extent of the three-fourths required for the purpose of altering the rule.

7187. But if the members of the society took any great interest in the matter under discussion, would they not attend in large numbers?—Not without canvassing for them. It is as great an evil for one side to try to pack a meeting as the other. A contest of that kind is very bad.

(*Mr. Ingle*.) A man in Cornwall has a share of 50*l.*, and he will not come up to London. We have many such instances.

7188. Do you not think it desirable that members of building societies should be confined to the locality in which the building society exists?—I really do not. In our society many poor people have been able to invest, and employ their savings very advantageously.

7189. Living away from London?—Yes. We have some investors in the colonies.

7190. As to the arbitration question; have you anything to say upon that point?—The power of the magistrate is an unmitigated evil; it is used purely for extortion. We have had one or two most extraordinary cases in our society, one in particular where the magistrate said, "This is a dispute between members of this society, but it appears to me that I cannot allow my time to be occupied by a dispute of this sort. Cannot you make it up?"

7191. Then I understand you to say that the magistrates will not take the trouble to investigate the case?—The metropolitan magistrates will not. We were for week after week before the magistrate; he would take us for half an hour or three-quarters, and then say, "I will adjourn the case," and we had with counsel and witnesses to come the next week again.

7192. That of course was a greater hardship upon the member than upon the society?—No, it was not, because the member happened to be in this particular case a very litigious man, and he managed his own case pretty nearly, and we had to take pretty nearly a cartload of books every week or every fortnight. In building societies you ought to enforce the power of arbitration contained in the rules, and if there is any abuse of it you ought to be able to go to a superior court.

7193. Which would be much more expensive and lengthy, would it not?—My experience is just the reverse of that. You can state your complaint either by a special case or otherwise, either at law or in equity.

7194. Should you wish to see the county court substituted for the magistrate?—No, that would be going from bad to worse.

7195. Do you think that a county court judge would be still less ready to devote his time, and that the case would take longer before him than before a magistrate?—I have a very great prejudice against the county courts from my experience. I would rather see an arbitrator or two arbitrators appointed by the rules, who have no possible interest in the society, and who are not members of the society. I would enforce

*Mr. F. Ingoldby.*  
*Mr. J. Ingle.*  
26 May 1871.



Mr. F. Ingoldby.  
Mr. J. Ingle.

26 May 1871.

the principle of arbitration, with power for the arbitrator to state a case.

7196. Does it occur to you that the arbitrators, though not members of the society, might possibly be office-holders in another society, and that there might be some little hardship to the members of societies by the officers of one society arbitrating in the case of another?—We have not found that to be the case. We have had one arbitration before a magistrate, and one before a manufacturer, and we generally try to get an arbitrator who is a merchant, or a manufacturer, or a member of Parliament, and who is not likely to have any interest in the matter.

7197. Do you suggest that the arbitrator should be named in the rules of the society, or should be appointed by the magistrate upon application?—I should not object to a judge of one of the superior courts under the Common Law Amendment Act, naming an arbitrator.

(Mr. Ingoldby.) There is one point with regard to the incorporation. I think that I omitted to mention that the abolition of the trusteeship was very important in relation to releases. Sometimes these matters of loan may go on for 10 or 12 or 14 years, according to our rules. During that time all the trustees originally in the deed may have been changed repeatedly, and it is a great hardship upon the borrowing member then to have to prove the appointments of the successive trustees in order to get an adequate release. It is very well for him to have a receipt according to the rules of the society for the purpose of his holding his property; but in the case of people who buy of him, he has to furnish a proper document of release, and we have found that in very many instances to be a very great hardship upon borrowers. The matter of suing and being sued in a corporate capacity, and not as trustees, is also one of very great importance, and in the case just referred to before the magistrate it was a very great annoyance to the trustees to have to go three times after time, they having nothing whatever to do with the matter, except to attend at this police court, and waste an hour or two, or more, under the pressure of a summons.

7198. (Sir S. Waterlow.) You have told the Commission that you cannot estimate the value of the property in hand, or the amount advanced upon it; then how do you make out your accounts? how do you take the assets?—We take them very carefully towards the close of the year. We value every item of property in hand; but not anticipating the question I did not ask for the information, and I do not quite carry it in my head.

7199. You say that the amount secured by deeds is 1,043,000*l.*, does that include the value of the property in hand?—Yes, the diminished value. After carefully valuing all the property, we last year wrote off an amount of 10,000*l.* at least, in order to cover any depreciation of the property.

7200. You took possession of the property for non-payment of the advance, but you did not keep it in your accounts at the amount of the advance?—We realise as soon as possible.

7201. I am speaking of the property in hand at the time when you make out your account?—We endeavour to realise when first it comes into hand. Supposing that we cannot realise, and that the rents are insufficient to make the repayments, we have to hold the property.

7202. How do you take account of that in your balance sheet? because I see no item of credit of that kind?—You have the amount of ground rent, taxes, rates, and so on, with reference to all property in hand, as an item of expenditure.

7203. How does that come as an asset into your balance sheet?—There are ground rent and all such items due and in arrear. If we find on valuation that the property is ample to secure all that, we put it down as an asset. We are thoroughly satisfied that it is a good asset, and it is put down. For instance, if a property has been in the society for five, six, or seven years, and the amount of principal upon it is reduced

to a considerable extent, and if the member from some temporary embarrassment is unable to keep up his repayments, we have to take it in charge, and of course we have to pay the ground rent.

7204. Then if it is worth the money due to you, you sell it and pay yourselves, and there is an end of it. But speaking of property which is not worth the money advanced upon it at the time of foreclosing, how do you take that into your account as an asset?—We only do so for the amount for which it is thoroughly good.

(Mr. Ingle.) I take your question to be this, Does the sum of 1,043,000*l.* represent the gross amount which has been secured by deed? The answer is, No, it represents a less amount, a deduction having been made.

7205. You recommend that there should be a general form of mortgage in some Act of Parliament for the regulation of building societies, and that that form should be held to include the usual covenants?—Yes.

7206. Then would it not be necessary to serve the party who executed the mortgage with notice of that Act of Parliament?—Everybody is supposed to know the law.

7207. I think you say that the borrowing powers should be limited to two-thirds of the amount invested upon mortgage?—The 17th clause of the bill which we framed is, "The exercise as herein-before mentioned by the directors of the old society of the power of borrowing conferred by their rules shall be deemed to have been lawful, and it shall be lawful for the society from time to time to borrow money or receive money on deposit, but so that the total amount of money so borrowed and received on deposit do not at any time exceed two-thirds of the amount for the time being secured to the society in respect of advances made on building shares."

7208. (Chairman.) That is your bill?—Yes.

7209. But that was not the tenor of your evidence?—I think that I put a proportion in relation to investment shares.

7210. That does not say a word about investment shares?—This is only another mode of putting a limitation, but it all goes to the same point, namely, that there should be a limitation.

7211. (Mr. Richards.) But which is your view?—I do not care which limit you put, so long as you make the shareholders liable. Of course borrowers would only be liable to the amount secured by deed upon their advances.

7212. (Sir S. Waterlow.) You would not make investing members who have paid up their shares liable to anything?—No, their limit has been reached; they are liable to lose it all.

7213. You suggest that building societies should be registered as joint stock companies?—Yes, something of that sort.

7214. And you say that you think that there should be some more facile method of altering the rules of the society. Do you wish for some method of altering the rules more facile than ordinary joint stock companies have of altering their articles?—I do.

7215. Under the Companies' Act, you must send a notice to every member when you desire to alter the rules, and of the kind of alteration which you propose?—Yes.

7216. Therefore I do not see that you would gain anything thereby?

(Mr. Ingoldby.) We especially desire the getting rid of the compulsory attendance of every proprietor in order to vote. We think that our 6,000 members ought to be represented in some way.

7217. Do you think that if a meeting is called, and if two-thirds of the members present consent to the alteration of the rule, that should be sufficient?—No; I think that we should have something like voting by proxy, as in the Joint Stock Companies' Act. Our majority, for instance, is three-fourths; it is almost impossible to get three-fourths at any meeting to lift up their hands. It is a question whether the amendments

*Mr. F. Ingoldby.*  
*Mr. J. Ingle.*  
 26 May 1871.

of the rules of building societies, and others, have ever been legally made on that account.

(*Mr. Ingle.*) The Friendly Societies' Act says that it must be a majority of three-fourths of those present, and I question whether you now do get three-fourths.

(*Mr. Ingoldby.*) I have had to put a question before a meeting three or four times before I could get the proper show of hands.

7218. You said that 1,435*l.* 4*s.* 3*d.* had been received as fines. Can you mention what per-centage that would form on the investments of investing and borrowing members?—It would make a very small per-centage.

7219. Your accounts do not distinguish between amounts received upon deposits, and amounts received on investments?—That question was asked at the outset, and I think I stated that nearly one-half might be taken as deposits, and the other half as investments; that would be spread over 150,000*l.*

7220. Then the amount received from fines is less than 1 per cent?—Yes.

7221. (*Mr. Roundell.*) I observe by your bill that you propose that borrowers should not be members for the purpose of voting at the meetings?—Yes.

7222. Is not it an inversion of the original object of the Building Societies' Act, to exclude borrowers from being members for voting purposes?—Where there are two classes of members, I think, as I said before, that the borrowing members on receiving their advances should abide by the rules under which they took those advances, and should not be allowed the privileges of members with regard to voting at meetings, especially as the meeting may have the disposal of funds.

7223. There is one other point in your bill. You propose to take power for your society to purchase and hold land?—Yes. That has not been carried out at all, it is simply an idea. In applying for the bill, we thought it better to take those powers, without the intention at that time of exercising them.

7224. Is not that also a considerable extension from the original object of building societies?—Land societies are under the Friendly Societies' Act as well as building societies; some of them are both.

7225. Does it not come to this, that putting those two things together, with regard to the borrowers, and with regard to the land-purchasing powers, your society would assume the character of a kind of joint stock land company and a mutual loan society, and would not its objects be a considerable extension of the original idea of these societies?—I do not think that we should ever entertain the idea of a mutual loan society, but we did seek to have powers to form, as identified with this society, or as associated more or less directly with it, a land society.

7226. But you would admit, I suppose, that in the growth of these societies a considerable development has taken place?—Yes.

7227. And of course it follows that you are in favour of these building societies assuming those extended functions with regard to the purchase of land, and with regard to the facilities for the investing members?—I should hesitate to allow any society to make mutual loans in the sense in which I understand the expression. I think that there should be a restriction of advances to real security in all cases.

7228. (*Mr. Richards, to Mr. Ingle.*) What is to prevent you from forming a society under the Joint Stock Companies' Act?—At present we have an exemption from stamps.

7229. Putting aside the question of the exemption from stamps, is there anything else which would prevent you from carrying out your wishes under the Joint Stock Companies' Act?—If I understand your question it is this: Would it be possible to form a society which could buy land, and which could advance money on mortgage, under the Joint Stock Companies' Act.

7230. You want certain facilities which are now obtained under the Joint Stock Companies' Act. Why could not you carry out the operations of building societies under the Joint Stock Companies' Act?—I

think that you could do so, with very small modifications, but when we started there was no Joint Stock Companies' Act.

7231. Would you suggest to the Commission that the powers which are necessary could be best obtained under an Act with somewhat similar provisions to the provisions of the Joint Stock Companies' Act?—Most undoubtedly I would.

7232. What advantages do you put before the Commission which should induce them to consider that the exemption from stamp duties should be continued?—By the present Act everything above 500*l.* is stamped, and the stamp is only 2*s.* 6*d.* per cent. I do not think that I could put forth any great benefit as arising from that exemption.

7233. Carrying out your views that borrowers should have no power at all in the management of the society, would not that practically result in the society being carried on for the advantage of investing members?—Yes, the people who find the money.

(*Mr. Ingoldby.*) I think not. The borrowers have an advantage in their peculiar way, and a great many of our members are both investors and borrowers, so that they have the advantage in a double form.

7234. What advantage have the borrowers?—Many of them secure their property by capitalizing the rent; that is a great advantage. I have letters from a great many who have secured the house in which they live in that way, simply by capitalizing the rent, who would never otherwise have saved 50*l.*

7235. But the objects of the original Act would be altogether transposed, would they not, if your views were carried into effect?—I think not. I think that the object originally was to afford facilities to every man to secure his house to live in by capitalizing his rent; that is the theory of a building society.

7236. And the payment of premium and other small incidentals of that character were all to go in one common fund, and each member was to participate in the advantages which would result from combination?—Yes.

7237. But if your views were carried out, all those advantages would cease, so far as the borrowing member was concerned, would they not?—He would be supposed to have had his advantages in the advance, which he had secured early. When building societies were originally formed, the man who got his advance first was supposed to be the best off.

7238. What would be the difference between a borrowing member in a society carried on as you think that it should be carried on, borrowing 100*l.* of the society, and his borrowing 100*l.* through Mr. Ingle's office?—The difference would be, in the first instance, that he would pay more for it.

7239. He would pay more to whom?—He would pay more to the society. But again, he would have the certainty of an advance for a series of years, during which it might be easy for him, by small instalments, to get rid of the obligation; that is the difference on his side. If he borrowed 100*l.* of Mr. Ingle he would be obliged to pay interest half-yearly, and he might be called upon at the end of 6 or 12 months to repay his loan in the lump. By paying the instalments month by month he would be lessening his interest until the last three or four years, when nearly all that he paid into the society would be in the way of principal.

7240. But all that is only a bargain and sale between the money lender and the money borrower?—Yes.

7241. And there are no advantages of mutual combination?—The mode is one certainly to the advantage of these industrial classes, because they could not get the money of Mr. Ingle.

7242. If the profits are all to revert to investing members, who now by your showing obtain about nine per cent. for the money which they invest in these societies, why should they be exempted from stamp duties?—I think that Mr. Ingle answered the question, that it was not a matter of very great importance; but the investors are not interested particularly in this matter of stamp duties, it is the borrowers.



*Mr. F. Ingoldby.*  
*Mr. J. Ingle.*

26 May 1871.

7243. The investors are interested in the maintenance of the societies as building societies?—Yes.

7244. Then you think that there would be no great hardship in the abolition of the present exemption from stamp duty?—No. At the same time I think that under a certain amount it would be a very great boon to those who came under the operation of the Friendly Societies' Act to continue the exemption; even a pound is a great thing to a small man.

7245. But what small man pays a pound for a stamp?—Taking the stamp on the mortgage there is not much in it; a pound is perhaps too much, five half crowns are 12s. 6d.

7246. The exemption at present is upon sums not exceeding 500l.?—Yes, and we had a great struggle to get that.

7247. Have you any other reason to advance why the exemption should continue?—It is a great saving to all the societies when they are exempt from receipt stamps and from stamps on cheques. There are many thousands of cheques in the year.

7248. Have you calculated what the exemptions amount to per share in your society?—It is very little per share.

7249. (*To Mr. Ingle.*) Do you not think that it would be a hardship upon members who have joined the society upon the supposition that they were joining under a certain set of rules, that those rules should be altered without the members having an opportunity of expressing their opinion upon such alterations?—Yes, I think that there is force in what you say; still if some mode could be devised it would simplify the matter.

7250. With regard to the registration of rules, do you think that the establishment of an office, with power to the head of that department (call him registrar, or call him by whatever name you may), to enable disputes to be settled in a summary mode before such officer, would be of advantage?—Yes, I can conceive a great advantage from it.

7251. Do you think that it would be practicable to frame certain general rules, somewhat similar to joint stock articles at the present day, leaving it to each society to form its particular rules within the four corners of the rules laid down, thus enabling a little more elasticity to be obtained than would be obtained by hard and fixed rules?—Yes, I do think that it would be a very great advantage.

7252. In order properly to carry out that idea, would it not be necessary to have some central authority who would be familiar with the business of societies of this description?—There would be no advantage in it, unless you could also give us this sequitur, that his certificate should make those rules legally binding.

7253. Having regard to the experience which a gentleman of legal education, and special aptitudes arising from his acquaintance with matters of this sort, would obtain, do you think that there would be any danger in making the rules which were certified by him absolute law?—I do not, indeed, if you could get a man like Mr. Tidd Pratt.

7254. You think that the cases of miscarriage which would be likely to occur would be so few that there would be no practical inconvenience?—Yes.

7255. That being carried out, all reference to magistrates or to county courts would be abandoned?—Yes.

7256. Having regard to the different decisions which possibly may arise in different county courts, or by different magistrates, do you think that the establishment of an office such as I have suggested would be of advantage to building societies, to such an extent that they would be disposed to pay a small sum for registering their rules?—Yes, I think that they would.

7257. Probably a sufficient amount would thus be obtained to pay the expenses of the office?—I think so.

7258. And it would be no hardship upon societies to make that payment?—I think not. I think that it would be a great advantage.

7259. (*To Mr. Ingoldby.*) Do you think that uniformity of accounts should be insisted upon?—I think that it would be an advantage.

7260. I understood you, in answer to Mr. Roundell, to disagree with the clause in your bill giving building societies power to acquire land?—No, I do not disagree from any clause which is there. I should object to anything which would involve anything like a mutual loan society without reference to real security.

7261. Assuming that you had received 5,000l. deposits this week, and that you had no investments upon loan which would enable you to lay out that sum of money, do you think that it would be desirable to give your society power to purchase land with that 5,000l.?—No.

7262. Then you do disagree with that clause in your bill?—The powers to borrow money on the part of our society are limited to the employment of the funds in the way of loans upon real security.

7263. Then would you confine the operations of a building society to advances by way of loans, and not by way of purchase?—Yes, undoubtedly. This affair of the land society is a distinct matter. A land society is a different society; they have shareholders, and their money is taken for the purpose.

(*Mr. Ingle.*) When the Act of the 6th and 7th William the 4th was passed, there were no permanent benefit societies; there were only terminating societies in existence, and the theory of those societies, as I understand it, was that every member from the beginning paid in, whether he borrowed or not. Now a member comes to-day to our office and says, "I want to borrow 500l." Inasmuch as such a revolution has taken place I cannot see why that man should have anything more to do with the society than to repay what he has borrowed.

(*Mr. Ingoldby.*) I wish to mention one point, namely, that it is impracticable to make us a joint stock society under the present state of things. Before we took steps to get the present bill, we made the most strenuous efforts to get incorporation under the Joint Stock Companies' Act, but it was impracticable; therefore anything in the future should be so adapted as that we and others similarly disposed may be taken in.

The witnesses withdrew.

*Mr. W. E. Whittingham.*  
*Mr. C. L. Gruneisen.*

Mr. WALTER ELLIOTT WHITTINGHAM and Mr. CHARLES LEWIS GRUNEISEN, examined.

7264. (*Chairman, to Mr. Whittingham.*) You are the secretary of the National Freehold Land Society?—Yes.

7265. (*To Mr. Gruneisen.*) You fill the same office for the Conservative Land Society?—Yes.

7266. Is the National Freehold Land Society registered as a building society?

(*Mr. Whittingham.*) Yes.

7267. And also the Conservative Land Society?

(*Mr. Gruneisen.*) Yes.

7268. Do either of your societies do anything of the ordinary business of building societies?

(*Mr. Whittingham.*) We do.

7269. Do you advance money for the purpose of building?—Yes.

7270. (*To Mr. Gruneisen.*) Do you do so?—That is exclusively our business.

7271. For the purpose of building?—Yes; it is so now, it was not so formerly.

7272. With regard to the National Land Society; referring to the balance sheet of the 31st of October 1870, I see that the total of members' capital is 1,088,266l.?

(*Mr. Whittingham.*) Yes.

7273. On the other side there is on members' securities the sum of 323,287?—Yes, that is money lent like an ordinary building society.

7274. Entirely on freehold or leasehold property?—Yes.

7275. Do you lend much on leasehold security?—Only to the extent which you observe there, of 25,000*l.*

7276. You rather discourage it?—Yes; we charge one per cent. more interest on leasehold than we do on freehold property.

7277. What rate of interest do you charge for advances?—Six per cent. on freehold, and 7 per cent. on leasehold property. We occasionally charge 5 per cent. if the security is better.

7278. Is there any premium on advances?—No.

7279. I see that in your sixth rule there is a provision that "the order in which members shall become "entitled to advances shall from time to time be "determined by the board;" has that provision ever been acted upon?—Never.

7280. Have you always obtained sufficient money to advance to anybody who has required an advance?—Yes.

7281. Looking to your statement of assets, I see that the second item is an advance of 539,210*l.* to the British Land Company?—Yes.

7282. What is your connexion with that company?—We have lent them money on the security of their freehold estates.

7283. They are, I take it, purely a land company?—Entirely so.

7284. Are any of the directors, or officers, or managers of that land company the same persons as those who are in the same position with regard to the National Land Society?—Most of the directors are the same, and all the officers are the same. The business is transacted by the officers of the National Freehold Land Society of the British Land Company.

7285. Were the society and the company founded at the same time?—No; the British Land Company arose out of the National Freehold Land Society. Originally it was the National Freehold Land Society, but at the time of the passing of the Joint Stock Companies' Act in 1856 the British Land Company was formed.

7286. Before that Act passed, did the National Land Society do the same business as it does now through the British Land Company, through its own trustees?—No, not through its own trustees, but through several gentlemen who undertook to buy estates and sell them.

7287. Were those gentlemen in any way connected with the National Freehold Land Society?—Not at all.

7288. The same persons being officers of both the company and the society, they are of course responsible to themselves for the correctness of their estimation of the value of the land upon which they advance the money?—The directors themselves survey every property, and are their own surveyors as to the value of the land and houses, and everything on which they advance money.

7289. Would there not be an obvious danger in one society advancing such a sum as this to another society where the officers were not the same persons?—Probably.

7290. I see that there is a third item in your assets: "Other securities, viz., convertible securities, "231,018*l.* 18*s.* 11*d.*; short loans, 20,014*l.* 7*s.* 8*d.*," making together 251,033*l.* 6*s.* 7*d.*; what is the nature of those securities?—They are principally in consols; some are in City bonds, and a portion is in debentures.

7291. What is your object in having so large a sum there?—To have the money at call in case of withdrawals. The rules provide that the money shall be payable upon 28 days' notice. Practically it is on demand. Upon persons giving notice to withdraw, I test that they are the persons entitled, and then we pay the money.

7292. Is the whole of the 231,000*l.* in consols?—No, about 150,000*l.*

7293. What is the rate of interest which you obtain for the rest?—Four, four and a half, or five per cent. The object is to have the money at any time.

7294. What is the rate of interest which you obtain upon the 20,000*l.* which you have in short loans?—It is the current rate of the deposit account at the bank; it is just below the bank rate. That is to meet an immediate demand.

7295. Besides that, you have a sum in cash of rather more than 20,000*l.*?—Yes, that is the sum in hand day by day.

7296. Your total assets are 1,133,830*l.*?—Yes.

7297. Turning to the head of the sheet, what is the item of "deposits received, 494,126*l.* 16*s.* 7*d.*"?—It is money received on shares,—all money paid in over the counter on shares.

7298. What is the amount of each share?—30*l.*; we receive any multiple of that, but not less than 4*s.*

7299. You have both completed and uncompleted shares, have you not?—Yes.

7300. What is your total number of shares?—I cannot say.

7301. Can you state what sort of proportion there is between the completed and the uncompleted shares?—I could not state from memory, without turning to the accounts to see.

7302. What interest is paid on those deposits?—Four per cent., and if the profits admit of anything more, it is paid in the shape of a bonus. Last year we paid a bonus of 1 per cent.

7303. Is the bonus both upon completed and uncompleted shares?—Yes.

7304. Is it actually paid or put to account?—It is put to account on uncompleted shares; it is paid on completed shares.

7305. The next item, I suppose, accounts for that: "profit on uncompleted shares, 21,693*l.*;" that is the bonus which you have assigned?—That is the same as interest; it is the interest for the year on the uncompleted shares.

7306. Which is put to their account?—Yes.

7307. In the next item, you have a balance due from members who have received advances, of 323,287*l.*?—Yes.

7308. The next item is the amount from the British Land Company; from that it appears that that company has repaid you rather above 100,000*l.* more during the year than you have advanced to it?—Yes.

7309. It has repaid 235,000*l.*, as against advances made of 130,000*l.*?—Yes.

7310. Therefore the balance is reduced?—Yes.

7311. What interest does that land company pay upon the advances?—At the present time 5 per cent.; last year they paid 6 per cent.; in this report it was 6 per cent.

7312. Is the land upon which they obtained those advances entirely freehold?—Yes.

7313. Why did they pay more than the members paid upon freehold?—We charged 6 per cent. to members. At the present time the British Land Company is paying 5 per cent., and the reason is, that having paid off so large a proportion, the directors thought they ought to have the money at less interest.

7314. You take no deposits excepting deposits on shares?—Not any.

7315. I see that the payments on shares are 4*s.* for every 28 days until the share is advanced, and afterwards 5*s.*?—Yes. Strictly speaking we do not adhere to that. We do not take a less sum than 4*s.*, and we take any amount which the members please, and we lend money to any person coming for it.

7316. You have power to borrow money, although you have not exercised that power?—Yes; the bank has been asked once or twice to advance 20,000*l.* for a temporary purpose, or something of that sort, but we have never made use of that power to borrow money.

7317. (To Mr. Gruneisen.) Your society is somewhat of a similar character to the National Freehold Land Society, is it not?—Yes, there is some little difference in the working, but substantially it is the same.

7318. The amount of your shares is 50*l.*?—Yes.

7319. Payable by subscriptions of 8*s.* per calendar month?—Yes, or quarterly, or half-yearly, or yearly, or

Mr. W. E.  
Whittingham.  
Mr. C. L.  
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26 May 1871.



*Mr. W. E. Whittingham.*  
*Mr. C. L. Gruneisen.*

26 May 1871.

in any amounts which the members choose to pay upon the shares; they may complete the share at any time.

7320. Do you take any payment of less than 8s.?—No.

7321. What interest do you pay upon the shares?—Five per cent.

7322. With a bonus?—In the last year we paid  $\frac{1}{2}$  per cent. That made  $5\frac{1}{2}$  per cent. on the completed shares paid, and the  $5\frac{1}{2}$  per cent. was placed to the credit of the members on the uncompleted shares. It used to be 6.

7323. You have a quarterage per share for expenses?—Yes; the National Freehold Land Society has not that, we have it.

7324. That is 6d. per share?—Yes.

7325. Does that cover the expenses of management?—No. In the first instance the quarterage was very heavy, it was two guineas upon a completed share; it is now reduced to 10s., or 1s. per annum on the uncompleted share.

7326. According to your eighth rule, you have power to allow interest on subscriptions paid in advance; that is the bonus, I suppose, of which you have spoken?—Yes, that is what we pay half-yearly on the interest warrants, and at the end of the year whatever amount the profits may be goes in the shape of bonus, or it is left for profit.

7327. You have a rule providing for honorary members?—Yes. When we started originally as a political society we had a great many honorary members; but that has gone very much into disuse.

7328. Did their subscriptions go to the management expenses?—Yes, to a small amount. I do not think that in 20 years 20l. has been received from honorary members.

7329. You have the same provision as the National Freehold Land Society with regard to the order of advances; have you ever had cause to put that in practice?—Yes, we follow the rules, so far as we take the proposals for advances in rotation, and deal with them in that way.

7330. Have you always had sufficient money to make the advances which are applied for?—No; at this moment we could perhaps advance 50,000l. or 60,000l. more, but we do not think it prudent to do so; our capital has never been sufficient to advance what we might have done; we are obliged to reject proposals from strangers, and we make the building advances only to those who purchase the land from the United Land Company; the applications from those persons are quite sufficient.

7331. Are those advances made in accordance with your 37th rule, repayable in any number of years not exceeding 10?—Yes, we have a sliding scale, 10 years is the limit, and the rate of interest varies according to that scale; it commences at a fraction over 5 per cent., and goes up to 8 per cent.; that would be the maximum interest which we should get, supposing that we took the 10 years' scale.

7332. No premium is payable?—No premium is required.

7333. Your rate of fines in the 42d rule on advanced shares seems to be 6d. per month per share, for the first month that the subscription is in arrear, 1s. per month per share for the second month, and 1s. 6d. for each succeeding month?—Yes; that only applies to building advances, it is not on the subscriptions which may be in arrear on the payment of the shares. I should explain that every building advance is represented with us by shares; the applicant has to take out shares to the amount advanced to him, and therefore the advance strictly according to our rules is on the shares.

7334. (To Mr. Whittingham.) Is that the ease in your society?—No; we advance on such terms as we think proper, generally for 10 years; we always give the option of paying off at any time when the parties please.

7335. Is it not rather departing from the law, I mean with reference to making an advance to a person who

is not a shareholder?—I do not know about the law. I only go by our rules.

7336. (Mr. Gruneisen.) We took legal advice in the matter, and we thought it better to do it in the form which I have mentioned.

(Mr. Whittingham.) The sixth rule is, "Whenever the money in hand shall in the opinion of the board be sufficient for the purpose, it shall be employed in advancing the shares of those members whose subscriptions are not in arrear; and the order in which members shall become entitled to advances shall from time to time be determined by the board; and all money not so employed shall be laid out in such investments, or advanced upon such legal or equitable securities as the law permits, in the names of the trustees, but under the direction of the board." We lend on freehold property upon mortgage, to be repaid in a certain number of years.

(Mr. Gruneisen.) I think that is more power than we have in our rules,—that is a very wide rule.

7337. I do not see that you have any provision of the kind?—In our case the money must be advanced upon shares.

7337a. (To Mr. Whittingham.) Those words which you have read follow the first part of the sixth rule, which commences thus: "Whenever the money in hand shall in the opinion of the board be sufficient for the purpose, it shall be employed in advancing the shares of those members whose subscriptions are not in arrear." According to that rule, the provision which you have read appears to have been intended at any rate to apply only to the investment of money which could not be usefully employed in advances to members?—Yes, if members did not take it.

7338. You must look to the first and second rules of the society. The first rule is, "The object of the society shall be to raise, by the subscriptions of the members, and in shares of 30l. each, a fund out of which every member shall receive the amount or value of his share, for the erection or purchase of a dwelling-house or dwelling-houses, or other real or leasehold estate." The second rule is, "Every person subscribing for a share shall be a member"?—Yes.

7339. Do you think that those rules, read together, quite point to the present practice of your society?—If any member required the money, we should lend it to him.

7340. But I understand that now, as a rule, your advances are made to non-members?—Yes, as a rule.

7341. What is the rule with you as to fines?—We have no fines; we abolished fines many years ago. We thought that it was a penalty on misfortune.

7342. Do you find that the repayments are as regular without fines?—Yes, quite as regular as they were before. If a man gets into misfortune, it is very difficult for him to pay, and asking something more will not help him to do so.

7343. (To Mr. Gruneisen.) Have you any power to excuse or to mitigate a fine?—Not since the reduction of the fine. The members passed a rule to mitigate the fines. The fines were formerly three times the amount of what they are in our present rules.

7344. In your opinion, is it necessary that the fine should be considerable?—I think so; I think that it is a very great safety-valve. The rate of interest upon these advances is, after all, comparatively speaking, very small, and the regularity of the payments is an essential element for the good working of the society. We think that that regularity is ensured by the imposition of those fines.

7345. Do the officers or the directors of your society hold the same position with regard to the United Land Company?—Precisely the same. The board of the Conservative Land Society now consists of 12 members, with the power to go to 24, and in the United Land Company there are merely seven, and those members of the United Land Company are also members of the Board of the Conservative Benefit Building Society. Of course the election is totally distinct by the shareholders, and the accounts are totally distinct, and the

two associations are totally distinct, although created in the same way, and although worked by the same officers, and worked substantially by the same board.

7346. The function of the Conservative Land Society, and I suppose I may also say of the National Freehold Land Society, is to receive money on deposit from shareholders and to lend it to the Land Companies?—No; we consider that our functions are to advance money for building simply, and therefore we do not profess to lend money to the United Land Company Limited, although we might do so if we had it in our coffers. The security to us would be the same, but that is not our reason. The United Land Company could work on their own capital.

7347. (To Mr. Whittingham.) Do you accept the correctness of my statement?—No. The British Land Company arose out of the National Freehold Land Society, and to that extent the National Freehold Land Society lends money to the British Land Company; but that is not its purpose, although there is no doubt that the National Freehold Land Society provides money for the British Land Company.

7348. (To Mr. Gruncisen.) Have you not at present a balance due from the United Land Company of 112,475*l.* 11*s.* 7*d.*?—Yes. That arises from the land which was taken when the United Land Company Limited was formed; the company took over from the trustees who held the land all the land which was then in the possession of the Conservative Land Society. Originally these land societies, before the Joint Stock Companies' Act was passed, worked under a fiction; owing to the mortmain laws we could not deal in land, but an ingenious man in Birmingham suggested the notion that through two independent persons the land might be bought, and so dealt with, and so it was; and we carried on that business until we formed the company, and the reason why we formed the United Land Company Limited was, because after a certain number of years our purchases extended to 26 counties, and our applications for building advances everywhere increased so very largely, that we had little or no capital left to buy land, and when facility was given for dealing in land by the Joint Stock Companies' Act, we thought it a very good time for raising money, so that the Conservative Land Society is now doing a legitimate business as a building society under the Act of Parliament, and nothing else.

7349. Has the Land Company diminished the debt to your society?—Yes; you will see the amount paid off from the United Land Company. As the United Land Company sell the land which they took over from the Conservative Land Society, the money is immediately paid over to the Conservative Land Society, and the debt is being paid off every year.

7350. Then you do not at present advance anything to them?—No, but if they required it we should do it.

7350*a.* As regards the Land Company, they took over the business when they were formed under the Joint Stock Companies' Act?—Yes, at all events the land business.

7351. I see that, besides that sum due for land, you have also made advances on land to the extent of 60,704*l.*?—Yes.

7352. To whom were those advances made?—To those persons who have purchased land from the United Land Company. The purchaser of a plot of land from the United Land Company, assuming that he is not in a position to pay off the whole money at once, has the option of borrowing the money or of coming to us, the Conservative Land Society.

7353. Then does not it practically amount to this, that what the United Land Company repays you, you advance to the person who buys the land?—Yes.

7354. Besides that sum, there is a sum of 121,436*l.* under the head of "advances for building and on other security"?—Yes.

7355. Which you consider now your legitimate business?—Yes. As regards the item of 60,000*l.*, it arises from the period not having expired on land purchased from the Conservative Land Society in former years. Therefore every year we are deriving a con-

siderable income from that source. That is to say, those are persons who originally bought plots from the Conservative Land Society, and who have not paid their purchase money. A man pays one-tenth, and the repayment spreads over 10 years, as regards the greater portion of the item to which you have referred.

7356. Can you state the amount due to your society from the United Land Company when the United Land Company was formed?—I cannot tell you from memory. I have only the balance sheet of 1870.

7357. As to the item of "advances for building and on other security," what is "other security"?—A distinction would be drawn between those persons who have had advances on building plots obtained from the United Land Company or from the Conservative Land Society, and those persons who have had advances made to them, not having bought the land from us. It would be a very small amount, but still we did to a certain extent make advances for building purposes where the land had not been originally purchased from us.

7358. I understand you to say that now you do not do so?—We do not; the applications on our own land, that is, from purchasers from ourselves or from the United Land Company, are now quite sufficient to work our capital.

7359. You have about 20,000*l.* more outstanding on advances on land and building than you had in your last account, have you not?—It must necessarily increase every year. There is a large amount due to the Conservative Land Society for land sold by them, land bought upon the instalment principle, which of course has so many years to run, and until that time is extinguished that will appear in our account.

7360. Your business is increasing; you have more money outstanding now on advances upon land and building, irrespective of the United Land Company, than you had a year ago?—Yes, certainly.

7361. Do you receive money on deposit?—Yes.

7362. "Cash on deposit for the year ending 30th September 1870, 21,337*l.*"?—Yes.

7363. In what sums do you receive those deposits?—Any amount above 5*l.*

7364. What interest do you allow upon them?—Four per cent., payable half yearly, but no participation in the profits.

7365. What is the notice of withdrawal required?—It is according to the sum invested; it varies from 7 days up to 21 days; it is in the deposit department in the prospectus, but practically as regards these departments, if a withdrawal takes place, whether in the share department or in the deposit department, we pay from Tuesday to Tuesday. We can claim a certain notice,—28 days for shares, and up to 21, as before mentioned, for deposits,—but the practical working of our system is to pay from Tuesday to Tuesday, when the directors meet and hold their boards for the purpose of drawing the cheques. There of course have been times of pressure, when owing to certain causes the amounts withdrawn have been rather larger than usual, and then a little more time has been taken; but even during the two or three panics which we went through we never had occasion to enforce the full period of 28 days, nor to make use of the protective rule which enables us to suspend the payments, supposing that there should be a rush in the demand for withdrawals.

7366. In your liabilities I see that the amount of your subscriptions on shares is 225,781*l.*?—Yes.

7367. While your deposits amount to 47,732*l.*?—Yes, that is in the balance sheet up to the 30th of September 1870.

7368. There is another item in your account of liabilities, namely, "Brighton houses suspense account, 1,000*l.*," what is that?—That was a sum set apart for houses which came in under mortgages, for repairs and one thing or another. That amount was set apart in order to meet any contingencies upon that account.

7369. Do you mean that the society were obliged to take those houses?—They fell in through the

Mr. W. E.  
Whittingham.  
Mr. C. L.  
Gruncisen.

26 May 1871.



Mr. W. E.  
Whittingham.  
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26 May 1871.

mortgage; the parties were not able to carry out their obligations, and we took possession of the property. We hold about 20 or 25 houses at Brighton, which are let.

7370. Was it one mortgage, or did they belong to several mortgagors?—There were about three mortgages; there were three different builders who broke down. We sell those houses according to circumstances; the tenants have bought some of them, wishing to be in their own houses, paying us off by instalments.

7371. Have you made many advances to builders?—Yes, occasionally, on various estates.

7372. Is that a general practice in your business? Yes, it is a general practice in our business to advance to builders.

7373. What is the average amount of an advance?—Two-thirds of the cost of the property (not the value); it is upon our surveyor's certificate.

7374. Do you make an advance to a builder before the building is commenced?—No, it must arrive at a certain stage; you will find in the prospectus, under the head of the borrowing department, all the stages at which a building must arrive before the builder has an advance upon the property.

7375. Can you state what has been the largest single advance which has been made by the society?—I do not think that we have gone beyond 1,200*l.*; that would be the maximum; that is only in one single instance.

7376. Have you made any advance beyond that amount?—Not to a single builder. I am now speaking of 1,200*l.* per house. A builder may make an application to build six houses, or three houses, and then we regulate it in this way, that the advances shall only be upon so many houses at a time, generally two.

7376*a*. What is the largest total sum which you have advanced to a builder?—I cannot recollect at this moment. I should think that at the outside it cannot have been more than 2,000*l.*, supposing that he has had an entire advance, because if he has gone to a certain extent, and we were not satisfied that he was going on satisfactorily, we should stop any further advance.

7377. When an application for an advance comes to you, you decide upon the total sum which you will lend. Out of all the applications which have come to your society, what has been the largest which has been complied with?—I cannot tell you that; but you do not put the question in the way in which the business is done. The application is made for so much per house. A man says that he will build four or six houses, and he asks for so much per house, and we advance two-thirds of what he alleges will be the cost of such house, so that it is really upon a single transaction, although supposing he builds two, three, or four houses it may amount to 2,000*l.*; but I should think that that would be the greatest sum, speaking from memory.

7378. But might it not amount to a great deal more? Suppose that a builder obtained a plot of land and wanted to build 10 or 20 houses upon it?—We should decline it. We should have nothing to do with it.

7379. (To Mr. Whittingham.) Is that your practice also?—I daresay that we have lent to the extent of 5,000*l.* to two or three persons. We have practically no limit to it. If any man came and offered us a proper security, it would not matter to us whether it was one man building 20 houses, or 20 people building each one house. We have always had plenty of money to lend upon sufficient security; with us the difficulty has been to find property on which to advance the money.

7380. Have you frequently been in the habit of advancing to builders?—Yes.

7381. And do you make your advances to builders in the same way, in proportion to the work done?—Yes. Our rule is not to advance until the buildings are covered in, and then we should advance to about the extent of two-thirds of the value, as estimated by

our own surveyor, repayable by quarterly instalments, so that that begins at once to reduce the amount.

7382. (To Mr. Gruneisen.) What was the object, when the Conservative Land Society was formed, of placing it under the Building Societies' Act?—To give county votes.

7383. Surely the society could give county votes without its being regarded as being a benefit building society, could it not?—I will explain the origin to you. It was at the time of the Middlesex election, when the present Duke of Marlborough stood. It was because the laws of mortmain were in full force. The Joint Stock Companies' Act had not been passed, giving joint stock companies power to deal in land, and it was a mode of evading the Building Societies' Act which was suggested by an artisan of Birmingham, who found out the scheme that by purchasing the property through two trustees a land society could be carried on. We were enrolled as a benefit building society, for the purpose of carrying on land business by an evasion.

7384. (To Mr. Whittingham.) Was that the reason why your society was enrolled in the same way?—I was not in the society when it was enrolled. The commencement of the society was no doubt with the view of purchasing freehold land for votes. Mr. Cobden was an active mover in it. I was not the secretary of the society when it was formed, but there is no doubt that all freehold land societies were originally formed under the Building Societies' Act, and they proposed to buy and sell and make advances upon freehold land in the same way as upon buildings.

7385. Was your society in your opinion enrolled as a building society because at that time there was no other means of carrying out the object?—I think that there is no doubt about it.

7386. (To Mr. Gruneisen.) Now that the Joint Stock Companies' Act has been passed, why should not these societies come under that Act, and have nothing to do with building societies?—It ought no doubt to be so. The trade in land should be free in the same way as other trade.

7387. (Mr. Whittingham.) The land business, so far as we are concerned, is entirely carried on by the British Land Company under the Joint Stock Companies' Act, by a large number of shareholders, and a large amount of capital paid up, and that is managed perfectly distinct from the National Freehold Land Society; the only thing being that they take the business from the National Freehold Land Society, in the same way as the United Land Company took their business from the Conservative Land Society,

7388. That being so, what is the object of the National Freehold Land Society?—As a building society, I suppose that our business is as large as any business in existence, irrespective of the land business. All that we do with the British Land Company is lending them some portion of our money on freehold land.

7389. (Mr. Gruneisen.) There is one distinction which the chairman will perhaps permit me to point out, as regards the working of a benefit building society and of a land company, namely, that the one works with a fixed capital under the Joint Stock Companies' Act, and the other works with a moveable capital. In benefit building societies there is the power to withdraw (and we found it out after a number of years), which deprives us of the capital to carry on the land business. Even if a benefit building society had power to deal in land, there would be some difficulty in working for that reason; if they became a large society the applications for building would be quite sufficient, and the power of withdrawal always operates to restrict their movements; whereas in a joint stock company, with a capital which cannot be withdrawn, it leaves you a freer mode of action.

7390. (To Mr. Whittingham.) Is that also your view?—The power of withdrawal has always been to us a very great security. We have always given the freest possible power of withdrawal, and the consequence has been, that we have always had more money than we could

well keep employed,—that has always been our difficulty. Whatever money has been advanced, we have always been able to let people withdraw as they have required to do so, and we fancy that that has arisen in a great measure from our publishing a weekly account of our receipts and payments, and of what money we have. In that respect it has been very much like a savings bank; a very large class of persons make use of us for that purpose.

(*Mr. Gruncisen.*) Our withdrawals are very heavy. Perhaps the chairman will just refer to the last quarterly account of the Conservative Land Society, and see what the total amount of withdrawals has been upon the amount of capital paid in; it will be seen what a very large amount it is, it is about 400,000*l.*

7391. It is 417,000*l.*?—Yes. That of course is an immense advantage to the investors. When investors come in that way into building societies, it is very uncertain what their ultimate intention may be; they may have a notion of buying houses, they may have a notion of buying ground rents, or of devoting the money to a variety of purposes, and this power of withdrawal is of very material assistance to them.

7392. But, in your opinion, the business of a land society can be carried on much better under the Joint Stock Companies' Act than as a building society?—Yes.

(*Mr. Whittingham.*) I also think so as to a land company's business; there is no question upon it.

7393. What is the exemption from stamp duty which you now enjoy, on account of your being enrolled as a building society?

(*Mr. Gruncisen.*) It is as regards mortgages, and interest and withdrawal warrants, under the Friendly Societies' Act, but some question has arisen upon it; the National Freehold Land Society has been fighting the battle in the Court of Exchequer, and for the last 10 days I have been in communication with the Board of Inland Revenue. They set up the pretension that we are not under the Friendly Societies' Act at all, and are not exempt from stamp duties in any way. We do not care anything about it, we would just as well pay the stamp duty as not. I do not see that it is a very onerous infliction, and I do not see why the exemption has existed; but we were under the impression that under the former Act we were exempt from stamp duty.

7394. (*To Mr. Whittingham.*) Has not some decision lately been given with respect to your society?—Yes. Our custom is, that if a person wishes to withdraw, he serves us with notice that he wishes to withdraw his money, and he leaves his pass-book in the same way as in a savings bank; the account is then made up, we send to his address an intimation that we have received a certain notice of withdrawal, and on receiving a communication back again, we send to the person a draft for the amount which he wishes to withdraw, and it is payable through any banker, or to order, or what not. We still think that by the Friendly Societies' Act we are free from stamp duty on that document, but the decision is that we are liable to pay, and we are at the present time considering whether we shall appeal or not. Speaking personally, I do not see that there is any reason why such a society should be exempt from stamps any more than a person doing business in any other way. I never could see why persons taking a mortgage through a building society should be relieved from the stamp.

7395. Have you considered that, when that exemption was first given, the stamp duties were very heavy in comparison with what they are now, and that, looking at the words of the Act of the 6th and 7th William the 4th, the idea of the legislature evidently was to encourage the working classes in obtaining houses of their own, rather than to have any reference to the kind of business which is now carried on by building societies?—Building societies no doubt do now an extended business, yet there is no doubt that the class of persons for whom building societies were first intended still avail themselves to a considerable extent of these societies. In our own society, I know hundreds

of persons who have bought a piece of land and built a house and reside upon it, and have borrowed the money and paid it off in 10 years. But, in addition to that, there are a great many other persons who make use of building societies who are in a very different position altogether, and the small amount of stamp duty which a man saves is hardly worth making any distinction in the matter.

7396. In your answer, you refer not only to the money stamp on a cheque, but to the stamps on mortgages also?—I refer to all the stamps in a building society. I am not representing what our directors or the society may feel; there is a difference of opinion between them about the matter, but that is my own individual opinion.

7397. (*Sir S. Waterlow.*) I think you say that, practically, your society will take money from anyone who offers it, and will lend money to anyone wanting to borrow?—Yes.

7398. Is there anything in your rules which limits the amount of your transactions in that respect?—Nothing that I know of; there is a check upon persons depositing, namely, 1*s.* entrance fee upon every 30*l.*

7399. But there is nothing in your rules which limits what you may take in this way or may lend?—Nothing at all.

7400. Can you give the Commission an idea of the general social position of the persons who borrow from your society?—It is very varied, but I have noticed that we have an increasing number of depositors among servants. The borrowers are very various, from a man who borrows to build a small cottage of 100*l.*, to a man who wants 2,000*l.* or 3,000*l.*

7401. What do you think is the largest amount which you have ever lent to one person?—I should think perhaps 5,000*l.* or 6,000*l.*

7402. He would probably be a builder?—Yes.

7403. What do you think is the general social position of the depositors with you?—They are very varied, but there is, I think, a very large number of servants and clerks, and persons in offices in London.

7404. I think you have told us that the depositors are by the rules entitled to have their money back at 28 days' notice?—Yes.

7405. But that practically they have it on demand?—Yes.

7406. And you lend money upon terms varying up to 10 years?—Yes; but we always give the option of paying off at any time.

7407. Do you think that the system would be a sound one generally to adopt, of borrowing money which is liable to be returned at 28 days' notice, and lending it upon terms which enable the borrowers to withhold it for 10 years?—No, and it is therefore that we are obliged to keep so large a portion of money practically at call, in order to meet anything which may arise of that kind. Our rules say that if we have notice for more money than we can pay, the parties must wait their turn, but we are quite aware that if it ever happened that we could not pay people when they wanted their money, it would put a stop to our business. During the whole 20 years, even at the time of the panic, when very large sums were withdrawn, and when we advertised our receipts and withdrawals every Monday morning, we were able without any difficulty to pay everything which was required.

7408. Although in your own instance this has worked well, do you think that with a large number of societies acting upon that principle it would be objectionable?—No more than in any bank.

7409. Practically, is not your society a bank upon a smaller scale?—Yes; it is the same as a savings bank.

7410. Although established as a building society, it is practically very different in its operation from what was contemplated by the Act of the 6th and 7th William the 4th?—We think that we are doing everything which is legal. We are not aware of doing anything which is contrary to that Act.

7411. Do you not think that the business which you carry on is very different from the business which was originally contemplated?—Yes, it is very much ex-

*Mr. W. E. Whittingham.  
Mr. C. L. Gruncisen.*

26 May 1871.



Mr. W. E.  
Whittingham.  
Mr. C. L.  
Gruneisen.

26 May 1871.

tended from that, as I think the business of all building societies is. I do not know of any one building society which may be said to have kept strictly to what was intended to be done by a building society.

7412. Do you think that if the building societies, as a rule, borrowed money which was liable to be returned at 28 days' notice, and lent that money for a period extending over 10 years, they would *en masse* be safe societies?—No; but there is more than that, because although the rule says that you are to pay after receiving 28 days' notice, yet there is a provision in the rule that if more persons give notice to withdraw than there is money to pay, they must wait their turn.

7413. Do you think that that rule is known by the mass of your depositors?—We are so careful as to that, that we put it in the front of the pass-book, and specially call the attention of every depositor to it, that not being a bank, but a building society, and lending our money upon such and such terms, we must have 28 days' notice, and that if more persons give notice to withdraw their money than we have funds to meet they must wait their turn. But I admit that notwithstanding that, people might put their money in with us, and might expect that they would have their money when they wanted it.

7414. (*Mr. Roundell*.) So far as you are concerned, you are of opinion that the abolition of the exemption from stamp duty would not operate as a discouragement to the poorer class of persons from joining these societies?—Not at all.

7415. (*Mr. Bonham-Carter, to Mr. Gruneisen*.) I see that in the annual report you state your connexion with the United Land Company, and that you mention the beneficial effects arising from the co-operation of that company in the extension of your building advances; that is to say, you watch the purchase of estates by the land company, and find that it gives you a good outlet for your building advances?—A first-rate outlet,—it is ample.

7416. A great portion of the estates which are mentioned appear to be suburban estates in Middlesex and Surrey. Can you explain the reason of your extending into other counties, such as Northamptonshire and Hampshire?—Because we find good investments in those particular counties. If we find an eligible investment in Northamptonshire, or in Worcestershire, or in Oxfordshire, or in any county you please, we make the advance.

7417. Have you such investments in 26 counties?—Yes.

7418. How do you manage to ascertain the value of the estates in those different counties?—We have a surveyor, and we have been 26 years at it, and I suppose that we can ascertain the value of the property; we find out what the land fetches, the rents of houses, and so forth; it is a matter of experience, like everything else in the world.

7419. In the case of some of the building societies, we have found that instead of extending their transactions to a distance from the centre, they are rather gathering them in?—Yes; I suppose they have been doing a bad business; all undertakings in this world are not commercially successful.

7420. The more prosperous societies said that a great portion of their prosperity depended upon the observation of property within a limited district, under the eye of the managing directors. It appears that you go to a considerable distance?—We go anywhere.

7421. And you see no reason why you should not extend?—No reason at all, to any part of the country. Some of these small societies have not sufficient capital to carry on their business, and it is naturally circumscribed; they get out of their depth; it is a matter for the exercise of prudence and caution.

7422. Who ascertains for you the existence of the properties for sale at a distance from London?—We read the advertisements, and we receive communications from auctioneers and local agents; we receive every week applications from all parts of England, as to properties of every description submitted for sale.

7423. Have you local agents?—If we buy an estate anywhere, we employ a local agent.

7424. Does the local agent inform you that there is property in that neighbourhood for sale?—He may do so, or irrespectively of him the parties wishing to sell may know that the United Land Company is in existence.

7425. Are the local agents agents for both societies?—Yes.

7426. (*To Mr. Whittingham*.) Is your practice the same as to purchasing?—We purchase anywhere, if we think that we can make money out of it, and we get our information from the general sources from which other people get information.

7427. Have you local agents on the spot?—We have no agents at all.

(*Mr. Gruneisen*.) We always employ local agents, we use them as custodians of the property. We also give them a commission on the sale.

7428. Are they generally solicitors?—Solicitors generally are the very worst class of agents; our agents are generally small tradesmen, land-agents, auctioneers, men who have a certain connexion, which they have scraped together somehow or other.

7429. Supposing that I were a small tradesman in a country town, and wished to build myself a house on my own land, would the process be that I should go in the first place to a local agent of your society?—You would adopt your own course in that matter. I do not know whether you would go to a local agent or go direct to the society, but unless it was on our own land we should not make an advance. We have no occasion to go to the outer world at all for connexion now. The United Land Company with their estates supply us with quite sufficient to make our advances upon, and to constitute the prosperity of the land society.

7430. Are your local agents persons who are known by any advertisement on the spot as being local agents of your society?—Yes, we attach their names to any advertisements which we may put in the local papers, and we have always references of course.

7431. (*To Mr. Whittingham*.) For the selection of land, do you extend to as many counties as Mr. Gruneisen has mentioned?—Yes, but we have been rather drawing nearer to London, as being much more workable and easier to look after than at a distance. We had some years ago estates at a distance, at Lancaster, for instance, which was a day's journey, but we have been keeping ourselves much nearer to London. When we were a political society, existing for the purpose of votes, it did not matter to what county we went, but as a commercial company we are obliged to look at the estates, as to whether they will give us a profit.

7432. Then you find, as is the experience of some other societies which are prosperous, that you can conduct business more profitably within a certain limited area?—Yes. But lately we have sold an estate at Llandaff. It happened to be an estate in the market, and we bought it, and now we have put it up to auction and sold it.

7433. Is the relation between the British Land Company and the building society as intimate as in the case of the Conservative Land Society?—I think that it is just the same, inasmuch as one arose out of the other. The original society was the National Freehold Land Society, and there was a difficulty in dealing with it. Some gentlemen took a personal liability for eight or ten years, and it became very heavy, and then the Joint Stock Companies' Act was passed. Mr. Lowe was then at the Board of Trade, and we had to procure a certificate to enable us to deal in land, and he gave us a certificate. I think that we had the first certificate for a company to deal in land.

(*Mr. Gruneisen*.) That is not the case now. There is now no occasion for a license from the Board of Trade; but I think that it would be very beneficial to all persons if the trade in land was thrown open, the

same as with regard to any other property; and the only way to effect that is, by making a change as regards the registration of titles and the registration of mortgages; you might make use of the county court machinery, and might have registry offices all over the kingdom. Every facility which could be afforded in that way for a safe and prompt transfer, I think, would be beneficial to the working classes.

7434. Have you ever registered a title under the recent Act?—No. According to the opinion of our counsel the machinery is much too cumbersome.

(*Mr. Whittingham.*) We bought one estate on the register, but we had to take it off, as we found it too expensive to deal with.

7435. Would you prefer that there should be an Act consolidating the present law which affects building societies, or would you think that some extension of the Joint Stock Companies' Act would best embrace it?

(*Mr. Gruneisen.*) A consolidation Act would be very desirable. It is a bad thing to have a number of Acts of Parliament, upon which there is always a difference of opinion among the lawyers; it is better to have one Act. As it at present stands, there is a great difference of opinion with regard to the power of taking deposit accounts. It was said that Mr. Tidd Pratt changed his mind in 1857. It will be seen that five years afterwards Mr. Tidd Pratt certified our rules, with a clause giving us borrowing powers, which was very recently confirmed by the Lords Justices on appeal. I was surprised when I found that it was stated in a discussion of the House of Commons that Mr. Tidd Pratt had changed his mind as to that rule since 1857.

7436. (*Chairman.*) How do you manage to advance this sum to the United Land Company, acting in accordance with your rules, which prohibit the advance of money to any but members?—What do you call an advance to the United Land Company?

7437. Is it not an advance, 112,475*l*?—That is land.

7438. Looking at the business of your society, that sum cannot be taken as being anything but an advance upon land?—But it was a sale from those who were trustees of the properties for the Conservative Land Society.

7439. The United Land Company owe you that money?—Yes.

7440. Then it was an advance by you to that company?—It is a *bonâ fide* sale and purchase of land. The trustees formerly, by a fiction which was resorted to by the Conservative Land Society, handed over to the United Land Company all the land which really belonged to the Conservative Land Society; but the United Land Company did not pay them off that entire amount at once, therefore it stands as a debt to

the society, and they are paying off so much per year as they sell.

7441. Then ought not the United Land Company to stand in precisely the same position with reference to your society as an ordinary advance member?—It is not an advance, it is a debt; it is a *bonâ fide* asset of the Conservative Land Society. It is not the case of a loan; there has been no advance to them.

7442. But is not the money owing to you on the mortgage of that land?—It is in point of fact money owing to us for so much land.

7443. It is money owing to you from the United Land Company for that land, just as much as you may have 100*l*. owing to you by John Smith for another plot of land?—But it is not an advance, it is a sale of land. Perhaps I misunderstand you. I understand you to put it as a loan to the company. It is a *bonâ fide* sale of land.

7444. So far as you are concerned, it is just as much an advance as any advance which you have made to any one of your advanced members?—The assets of the society would cover the money advanced by us.

7445. You said that the Conservative Land Society and the United Land Company were entirely distinct?—They are totally distinct as regards working.

7446. Did a mortgage deed, or anything of that kind, pass between the society and the company when this transaction took place?—Agreements had been drawn up, equitable mortgages I think they call them. There were regular documents, drawn up by the advice of counsel.

7447. Was there an equitable mortgage of this land?—I do not know that I am bound to go into that transaction, and to say what have been the dealings between the Conservative Land Company and the United Land Company; but I may say that the original trustees of the Conservative Land Society, in order to facilitate the sales, and that there shall be no impediment in the sales, execute the conveyances when the land is sold; and that is done under the advice of counsel for the facility of transfer, as being better than if the whole quantity of land had been handed over by a conveyance. It would have led to a great deal of difficulty, whereas the other process is very simple.

7448. The trustees still execute the conveyance?—Yes; taking any of the old estates belonging to the Conservative Land Society, they convey to the party who buys; it is a mere question of account as between the different societies.

7449. May I take it that it was the opinion of counsel that the legal estate of that land was still vested in the trustees of the Conservative Land Society?—No doubt it was just the same as if they had a mortgage existing upon the property; that is the simple operation of the matter.

The witnesses withdrew.

Adjourned to Tuesday, 6th June, at half-past 11 o'clock.

*Mr. W. E.  
Whittingham.  
Mr. C. L.  
Gruneisen.*

26 May 1871



Tuesday, 6th June 1871.

PRESENT :

THE RIGHT HON. SIR STAFFORD H. NORTHCOTE, Bart., C.B., M.P., IN THE CHAIR.

SIR MICHAEL E. HICKS-BEACH, Bart., M.P.  
SIR SYDNEY H. WATERLOW.

JOHN BONHAM-CARTER, Esq., M.P.  
EVAN MATTHEW RICHARDS, Esq., M.P.  
CHARLES SAVILE ROUNDELL, Esq.

Mr. J. W. WILLIAMS and Mr. JAMES TURNER examined.

Mr. J. W.  
Williams.  
Mr. J. Turner.  
6 June 1871.

7450. (*Sir M. E. Hicks-Beach to Mr. Williams.*) I believe that you are secretary to the London Provident and Benevolent Association?—I am.

7451. And you have been connected for some time past with building societies and other societies of the same kind?—I have.

7452. What is the nature of the London Provident and Benevolent Association?—It is an association for providing a certain sum when the members are out of a situation, for medical attendance and medicine during sickness, and for assistance in any case of special distress, and in old age, if the persons have been members for 20 years.

7453. Then that association has nothing in it of the nature of a building society?—Not that association.

7454. Can you state the names of any building societies with which you have been connected?—I was secretary of the Housholders' Building Society in Manchester for about five years.

7455. Can you give us any figures to show the extent of the operations of that society?—I am not prepared with them. I can state a good deal from memory.

7456. Are you connected with that society at present?—I am not. I have not been connected with it for about four or five years.

7457. When was that society founded?—In 1859, as nearly as I can remember.

7458. It is a permanent society, I suppose?—It is a permanent building society.

7459. What was the number of its members when you were connected with it?—The income from the subscribers would be about from 5,000*l.* to 7,000*l.* a year. I mean from investors.

7460. What was the amount of the shares?—The amount of the shares was 100*l.*

7461. Did it receive deposits to any large extent?—It received deposits in the way of paid-up shares, and it received loans, for which the directors gave their personal security in promissory notes.

7462. Did it do a large business in that way?—Not very large; not nearly so large as some societies.

7463. May I take it generally that it was not one of the large societies of Manchester?—It was not one of the very large societies in Manchester.

7464. Were you connected with any other society besides that?—Not officially.

7465. Did you draw up the tables of that society in your professional capacity?—I did.

7466. As an actuary?—As an accountant. They were founded principally upon Mr. Scratchley's tables.

7467. I think that you wish to mention to the Commission some matters with reference to the state of the law in connexion with building societies?—I should be glad to do so.

7468. What are the points to which you would wish to refer?—First, in reference to the matters of account and annual statement, I am of opinion that every building society should be compelled to furnish such a statement, and that the form of that statement should be prepared by some person competent to do so, so that all building societies should be able to furnish a

simple statement, such as can be well understood and approved of.

7469. An annual statement?—An annual statement. I think that such statement should especially contain, first, a cash account of receipts and payments, which should in particular distinguish the following items: Contributions in respect of subscriptions from shares; contributions in respect of repayments for advances made; interest received on account of advances made; money received by way of loan, and in what form, and on what security, if any special security is given. Secondly, I think that there should also be a profit and loss account, which in its detail should correspond with or be made up from the cash account, so that the profit and loss account should not have any items of profit in it not actually received. I now allude especially to the practice in building societies of taking credit for profit on the premiums which they charge for money lent. In many societies they charge a premium, but they add it on to the sum lent, and they never receive the money, or at any rate it is extended over a long period before they really have made it. Thirdly, I think that there should be a balance sheet in the ordinary form. Then, I also think, that besides the account, there should be a kind of summary furnished of the shares; the shares of the previous year, the new shares taken during the current year, and the number of shares withdrawn; and of course that would give the present number of shares in the society. I have prepared such a form, which I shall be glad to hand in, and to leave with the Commission. (*The witness delivered in the same, being a cash account, a profit and loss account, and a balance sheet; see return annexed, No. 1.*) I have also copied out an annual return from the reports of four other building societies; one in London, one in Liverpool, and two in Manchester. I have not taken any particular period. The papers are what I had by me, and which I have taken out for the purposes of what I might be asked on this examination. Those balance sheets, especially in comparison with the one which I hand in, and with reference to the remarks which I have made, show the deficiencies which I should like to point out. These four balance sheets (*handing them in; see return annexed, No. 2.*) are very different.

7470. Will you point out the deficiencies?—I have left out the names, but can give them if it is desired, and I have the original balance sheets with me. Balance sheet No. 1 contains the three forms, cash account, profit and loss account, and balance sheet. There is no account of interest received from any source, but in the profit and loss account credit is taken for 3,735*l.* 14*s.* 8*d.*, which is called "prospective interest," which means no doubt the interest which will accrue in the next 12 years or more, the period of the loans.

7471. But you see on the other side of that account "prospective profit carried forward, 2290*l.* 15*s.* 9*d.*," so that the two nearly balance each other?—They have not divided it, but they have taken it as if they had made the profit. If the sum "repayment of advances 333*l.* 18*s.* 10*d.*" includes interest, it ought to be shown, and the interest actually received ought to be carried to the credit of the profit and loss account. In all the societies they have mixed up the interest

with the repayments which they have received. The cash account is remarkable for the large sum received as subscriptions, 8,000*l.* against 2,100*l.* as loans.

7472. Does not that simply mean that the society conducts its business rather by subscriptions than by loans?—Yes; in that respect it is very praiseworthy, and that is a point which I think ought to be worked out a good deal. There is one society where the money is almost all obtained by loans, and another where there are no loans at all.

7473. Are you aware whether this society issues paid-up shares?—I am not aware. That is a new society in its first year. I will now go to balance sheet No. 2, Liverpool. This does not contain a cash account of receipts and payments; but it is partly shown in the balance sheet by deducting the amount repaid from the amount lent. In this case the amount actually received for interest on mortgages is shown in the profit and loss account, but it is shown in a lump sum with bank interest, &c. A very objectionable item taken as profit, is the premiums, 1,461*l.* 7*s.* 0*d.* If actually paid (which does not appear and is doubtful), only one-twelfth, or one-twentieth part, should be taken credit for per annum, according to the term of the loan, the society lending money for from 10 to 20 years. The expenses, 418*l.* 9*s.* 8*d.* are lumped in one sum, which is very objectionable. This would be the state of the year's operations, taking one-twelfth only of the premiums, profit and loss: Debtor 5,701*l.* 7*s.* 8*d.* Creditor 4,139*l.* 7*s.* 4*d.*, one-twelfth of the premiums 121*l.* 15*s.* 7*d.*; balance loss 1,440*l.* 4*s.* 9*d.*

7474. But the premiums are only entered as 1,461*l.* 7*s.* 0*d.* What are the other items which you object to as being entered as profit?—I object to the full item of premiums being entered as profit.

7475. That being so, the society shows a balance of profit of 5,944*l.*?—Because they bring over the balance of the previous year. I show what they did in that year, taking off the balance of the previous year, and I take credit for only one-twelfth of the premiums.

7476. In that way you knock off the balance on either side?—Yes, in order to show what they did in that year. They appear to have brought over a large balance, which no doubt was made in the same way by premiums credited, but never actually received.

7477. How long has this society been in operation?—The date of the balance sheet is 1867; it had been in operation then for about three or four years. I do not know for certain.

7478. If that is so, is not the balance brought forward rather an enormous amount, because the balance of profit carried on from this year is only 5,944*l.*, which in itself shows a loss?—Yes, a decided loss.

7479. The society appears to have made in some previous year an enormous amount, considering that it had only existed for three years—6,055*l.* to the good. The operations of this past year are shown in this balance sheet by only 5,944*l.* being carried forward, instead of 6,055*l.* which was brought forward?—I cannot understand it. I am in great difficulty about it, especially when I state that in that year, when I make out a loss of 1,440*l.* they divided amongst the shareholders 3,954*l.*, and paid 7 per cent. interest.

7480. In what year was that?—The year referred to in that balance sheet. That statement is in the report which is issued with it. This is not brought by me for any special purpose. When I received the letter inviting me to come here, I searched through the papers which I had with me.

7481. If I understand you rightly, your main point of objection to that balance sheet is that the premiums are all taken in the year's account?—Yes, and that they have no cash account of receipts and payments. I also object, of course, to the payment of such large interest.

7482. Should you be surprised to learn that we have it already in evidence that that society is in chancery?—I should not.

7483. (*Chairman.*) There is an item in this account which I do not quite understand. In the profit and loss account I see the sum of 267*l.* 13*s.* 10*d.* headed, "To reserve fund, amount transferred." What does that mean? Does it mean that that was a portion of the profits of the year carried to a reserve fund?—I have considerable difficulty myself to understand what that means; it appears to me to be this, that most of their premiums are added to the sum lent, and that that 267*l.* represents what was actually paid in cash, but why it should appear again on the other side I cannot tell.

7484. As I understand this account, you have on the one side a certain balance brought forward at the last report which is 6,055*l.*, then there are premiums amounting to 1,460*l.*, and there are various sums received from mortgages, bank interest, &c.; 3,830*l.* entrance fees, fines, and transfer fees. That seems to be the income of the society. On the other hand, there are the dividends and property tax, the expenses, the interest paid on loans, and so forth, and the balance of profit, as was pointed out to you, is at the end of this year less than it was at the beginning of the year, which looks like a loss; but there is an item "amount transferred to reserve fund, 267*l.*," and if that sum had not been transferred, I suppose that it would have gone to swell the balance of profit, and would have shown that there was an increase of profit, instead of a diminution of profit?—I cannot explain it except by the premiums.

7485. Does it not appear that, reckoning the premiums as part of the income of the society, the income exceeded the amount of the expenses, and left a larger balance of profit, out of which the sum of 267*l.* was transferred to the reserve fund, thereby leaving a smaller balance of profit than had been left at the commencement of the year?—Yes.

7486. But the point to which you object is the including the premiums in the statement of income?—Yes, I object to including the full amount of them. I think that a certain proportion only should be included.

7487. (*Sir M. E. Hicks-Beach.*) Will you proceed with the third balance sheet which you have?—I will proceed now with balance sheet No. 3. This contains receipts and payments, cash account, profit and loss account, and balance sheet. The cash account contains no item for interest on mortgages, but it is shown in the profit and loss account. A remarkable feature in this society is, that they had no borrowed money, not even from the bank, for they had a credit balance at the bank of 2,753*l.* at this time. They paid 6 per cent. guaranteed to shareholders, which was advertised by placards on the walls, and which, no doubt, attracted the money. The expenses are lumped together in one sum of 1,159*l.* 13*s.* 7*d.*, which is objectionable. In the profit and loss account, credit is taken for premiums deferred, amounting to 4,297*l.* 16*s.* This is manifestly wrong and fictitious, one-twelfth only could fairly be taken credit for, namely 358*l.* 3*s.*

7488. That is the same fault which you found with the last balance sheet?—Yes.

7489. What is the amount of the shares of the society?—I know that it is very small. I think that the shares are 10*l.*

7490. Are they paid-up shares mostly or not?—Some are paid up, but not mostly. It is an immense society, and since then it has grown tenfold.

7491. Are you aware how many years it has been in existence?—That balance sheet is dated 1866, and that is the third year's balance sheet.

7492. In your opinion what is the position of this society?—I have noticed that the secretary of this society has been examined before you. It is an enormous institution, and I believe it is now ten times the size which it was at that time. I highly approve of the system of small shares and paid-up shares, getting large sums from depositors instead of borrowing large sums on loan.

7493. From this balance sheet the society does not appear to take any money on loan?—At that time they did not do so.

Mr. J. W.  
Williams.  
Mr. J. Turner.  
6 June 1871.



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Mr. J. Turner.

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7494. Are you aware that since then they have done so?—I am not personally aware of it. You will notice that at that time they had 2,000*l.* in the bank more than they wanted for immediate use, which is unusual in a building society.

7495. Is there any other society to whose accounts you wish to refer?—Balance sheet No. 4 is also from a society in Manchester. This account contains a cash account and balance sheet, but no profit and loss account. The remarkable feature in this account is the large amount received by way of loan as compared with the sum received as subscriptions, 21,377*l.* 8*s.* 7*d.* having been received in loans and deposit shares, against 2,317*l.* 8*s.* 4*d.* in subscriptions from members. There is no item of interest received on mortgages, but we have deductions on advances, 482*l.* 10*s.* 4*d.*, which is a premium or bonus of about 18 per cent. on 26,000*l.* lent. The plan of this society is 120*l.* shares. The borrower receives 60*l.* (being one-half) in advance, and he pays 10*s.* a month, being the same subscription as the investor pays, calculated to run out in 14 years, and also calculated to be equal to 5 per cent. which he pays besides the large premium. The society appears to be partly permanent and partly terminating.

7496. Have you calculated what is the amount of interest which a borrower pays altogether?—I have not; it would depend upon the number of years for which he would pay. I know that 10*s.* a month on 60*l.* is exactly 5 per cent. interest, paying for 14 years, and therefore the premium which he has paid is all in addition. That is Theodore Jones' calculation in his plan of a building society, where it is arranged that a borrower shall pay the same subscription as an investor, but he receives half the nominal amount of the shares at the commencement.

7497. That is fixed?—Yes, that is Theodore Jones' 5 per cent. table.

7498. Is this society conducted according to his tables?—I do not know that the tables are his published tables, but the plan of operation is the same.

7499. Then you do not know whether the premium in the society is fixed or not?—I do not know for certain, but I think that it is.

7500. Do you know in what way advances are made, whether by bidding, or in what mode the preference is obtained?—I do not know whether it is by bidding or otherwise. My impression is that in that society the premium is fixed, but I am not informed.

7501. In this society I notice that all the minor items for salaries, printing, advertising, and directors' fees, and so on, are placed in the account much in the way in which you would place them?—Yes, I intended to draw special attention to that, which is very praiseworthy, namely, giving the expenses in detail. I notice nothing particularly objectionable there, excepting the large interest which is paid by borrowers.

7502. Are you aware what interest the society pays to its depositors?—I am not, but I believe that it is 5 per cent., and not more.

7503. What interest do investing shareholders receive in that society?—5 per cent. as far as I know, with perhaps profits in addition at the end of a certain term.

7504. Surely they would have a bonus in addition?—They would no doubt make more than 5 per cent.

7505. As a rule, in such a society as that, the depositors receive a certain fixed rate of interest, and the investing shareholders receive that interest and a bonus in addition?—But in that society the shares being for the large sum of 120*l.*, and the Act being very strict on that point that no interest shall be paid to any members of a building society until the shares are fully realised, they would have no chance of receiving it by way of interest at all, but only upon the share being fully realised in 12 or 14 years.

7506. But are you not aware that the custom is for the interest to be placed to the shareholder's account, and to be left in the society until his share is fully paid up, when he receives the whole of it?—That is

the proper method of doing it, but there are very few building societies which do it.

7507. You are not aware that it is done in that society?—I am not aware that it is done in that society, but that is the method which I strongly recommend. There is a point which I wish now to speak of, namely, that the subscription paid by a member who is a borrower should be divided, and that there should be an entry in the books of the society, and in the cash book as well as in the ledger, that a certain proportion of that subscription is principal, and that a certain proportion is interest. I have a table here which I will hand in (*see return annexed, No. III.*), prepared partly from another society, which shows the division of a member's subscription monthly and annually, and which also shows the amount unpaid at the end of any year on any loan, which would be the sum necessary for a member to pay if he wished to redeem his property. I think that the table is very interesting, and very useful, and, in fact, that something of that sort should be almost insisted on.

7508. Practically in your researches, have you found any large number of societies who would keep their accounts in a form which would be more or less complicated?—That form is the least complicated which I can imagine. I commenced keeping it in the year 1859. For example, there was a subscription of one guinea per month; it was divided in our ledger so much principal, and so much interest, so that we knew directly what our real profits were, taking credit only for the interest actually received.

7509. Still would it not add a very complicated element in a large society?—In answer to that question, I will hand in the form of cash book which I would propose that building societies should use. It is adopted in some of the large houses in London, and it is considered to be the safest and the simplest plan. If building societies adopt that cash book, they need hardly use a ledger.

7510. Under the first head are entrance fees, fines, &c., then there are "deposits and loans;" ought not they to be under two separate heads?—It is a question whether they are different or the same; it depends upon the security which is given for the loan; if no security is given for it, it is the same as a deposit, but if promissory notes are given for the loans, they should be separated from the deposits.

7511. The third head is, "borrowers' subscriptions, principal;" the fourth head is, "borrowers' subscriptions interest;" the fifth is, "investors' subscriptions;" and the sixth is, "bank?"—The other page is the credit side; it does not perhaps contain all the items, but only the principal ones, it could not possibly contain all.

7512. If you do not make it contain all, it is still imperfect; and by separating these two items into principal and interest in the repayments, it makes a considerable complication?—Those would not need to be posted, but only the totals once a month.

7513. For instance, let me call your attention to an item in that cash account, under the head of receipts, "to rents received from property transferred to the society;" there is nothing here under which you could enter that?—It would be necessary to add to it a blank column; that is the usual plan in using that kind of book. I noticed that when I prepared it.

7514. In the cash account, which you have proposed to the Commission as a model for building societies, I see under the head of receipts the following item, "contributions in respect of loans and deposits from depositors;" those are placed together as in the paper which you have just put before me, and then there is another head, "to loans by bank." Of course neither of those heads would be applicable to a certain number of societies?—They have the power to borrow money, or rather they do borrow money in those various ways, and it is very unusual when societies have not borrowed money.

7515. Are you not aware that a good many societies have no borrowing powers?—In every society which I

have known, except the one example which I have given you, the first thing is to have a credit from their banker, because they would make no profits if they did not borrow a good deal more money the first year than they received.

7516. They borrow money without powers, on the promissory notes of their directors?—Granted; but they almost universally borrow money. My opinion is that they should have full power to borrow money, under certain restrictions and regulations.

7517. Proceeding to another head of your model form, I see "premiums received on advances," that is an item of receipts; but as it stands here, the full amount of those premiums might be entered much as it is in the accounts to which you have objected, might it not?—Yes; but the intention there is, that only those premiums which have been received actually in cash shall be entered. You cannot well object to the entry of those premiums which have been actually paid. If 1,000*l.* is lent, and if the society receive 50*l.* in premiums, they may fairly be entered as profit made.

7518. As profit for that year?—No; but it is very difficult to say how it shall be entered, unless where cash is actually paid. My decided opinion is that it ought not otherwise to be taken as profit.

7519. Then does not this heading want some reconsideration?—There would be some part of the premium, namely, one-twelfth.

7520. In your model balance sheet, it is possible that the same fault may be committed, as is committed by these other societies in their existing balance sheets?—Yes; and therefore I would add, that it should be one-twelfth of the premium, or something of that kind.

7521. Then there is the item "rent received from property surrendered to the society;" surely that is not an item which should appear very frequently in the accounts of a building society?—No; but I think that it should appear oftener than it does appear. That constantly occurs in building societies, and we never see any account of it in any way. I would rather approve of a separate account being kept of it, called the "Building Account," or "Rent Account."

7522. Would not the appearance of such an item prove that the building society was not in a very flourishing condition?—I do not know that it should be so. A building society having very large transactions must constantly have some property falling into its hands, and it would sell it again perhaps in 12 months.

7523. Would not that prove that the principles upon which that society was conducted were not very sound?—Not necessarily. Something might have happened to the borrower; he might have become bankrupt, and in that way the property would have fallen in to the society. You will notice that the rents are a source of actual profit, when the society are not receiving any interest on the money lent, after deducting on the other side the cost of collecting the rents and the repairs. That is quite a new item.

7523*a.* Would it not be a proof that the loans had not been made on good security?—No.

7524. My reason for referring to it was that, as entered in this way, it appeared to be, in your opinion, a regular part of the business of a building society to have property on hand?—It is an item which the building societies would not like to put in, they would word it differently.

7525. Have you been acquainted with terminating and Starr-Bowkett societies as well as with permanent societies?—I have not been acquainted with them. I have heard something about them.

7526. Do you suggest this form of statement of accounts as a form which might be laid down by law, and which, if laid down by law, would be applicable to every kind of building society?—It could not be applicable to the terminating societies, but it would be applicable to the permanent ones. I only propose it as being applicable to the permanent societies.

7527. Do you think that it would be applicable to

the Starr-Bowkett societies?—I am not sufficiently informed on the principles of these societies to say.

7528. Then you are not prepared to state that it would be applicable to them?—I am not.

7529. Then your evidence simply relates to a form of accounts which should be applicable to the permanent societies only?—It does.

7530. You suggest that the accounts of every permanent society should be drawn up in this form, and sent annually to the registrar?—I do.

7531. Supposing that there was any failure in that, what proceeding should you suggest?—A penalty, which is usual in matters of that kind—so much a day, giving a certain length of time for the account to be sent up after the last annual meeting.

7532. Who should put the law in force so as to enforce that penalty?—I would not use the strictest and harshest measures which might be adopted, but the mildest measures possible, at any rate at first.

7533. With whom do you think it should rest to enforce the law?—I should not like to say the magistrates, if you can suggest any other method. I know that that is a usual method.

7534. I wish to know who, in your opinion, is the person who should take proceedings against a society for failure to do what the law told them to do?—The registrar who is appointed for the registration of building societies.

7535. He should proceed against a society which failed to produce its accounts in this form?—Yes.

7536. In what court?—I cannot say; I would rather have it in the County Court than in the Magistrates' Court.

7537. In the County Court of the district?—In the County Court of the district.

7538. Looking at it as a practical man, do you think that it would be possible for the registrar to superintend the performance of this obligation on the part of all the societies, and to proceed against those who might fail in it?—I do not think that it would be possible for him to do it unaided; he would want another person almost like himself, with special powers, if you went into matters of account like this.

7539. Supposing for instance that this form was adopted, and that yet the accounts were cooked in some way, as of course might be very easily done if the society wished to conceal its position, what should be the action of the registrar?—I do not think that the registrar could tell; he is not supposed to know whether the accounts are cooked or not; but I think that it should always be the duty of an accountant to see it.

7540. Then would you suggest the appointment of a sort of State accountant, who should examine all these accounts which were sent in, in order to see that they were right?—Yes, I think that would be absolutely necessary.

7541. Do you think it possible for his examination to be worth much, unless he had access to all the books and papers of the society?—Yes, he should have power to examine or to send some one to examine, from a statement furnished to him. The statement should be by the chairman, a trustee, and the secretary, as being truthful from the books; but if on the face of it there appeared to be anything doubtful, and if it appeared that the society was going wrong with regard to its balances in hand, and so on, he should have power to send some one to examine the books.

7542. Then, with regard to those accounts which were drawn up with sufficient cleverness to escape his observation at first sight, you would, I suppose, leave them alone?—Yes.

7543. Might not that be done, and yet might not the society be in a very improper condition?—It would be a great improvement upon what we have now. I have for some years sought for some statistics of building societies, but could never get them.

7544. Does it not occur to you that that would be a great increase of cost and trouble to the central office, and that if it were carried out as you suggest, there would still be a very great imperfection?—I

Mr. J. W.  
Williams.

Mr. J. Turner.

6 June 1871.



Mr. J. W.  
Williams.  
Mr. J. Turner.

6 June 1871.

cannot state what the cost would be. No doubt it would be a great cost, but the operations of building societies are enormous. You, no doubt, have had evidence upon that point. An enormous cost is incurred in the management under the Joint Stock Companies' Act, where the societies have to send in their accounts annually. The operations of building societies are nearly as large.

7545. Whom would you punish for failure in this matter?—The chairman and the manager, or secretary, are the principal parties who have to do with the management of a building society; the chairman of the committee and the secretary.

7546. I think you have suggested a fine of 10*l*.; would you fine them personally?—I can scarcely say what is usual under such circumstances, where fines are inflicted; I would not fine them personally, but I would fine the society.

7547. Do you think that that would be likely to lead to any favourable result?—Yes, the members would very soon make a very great stir.

7548. I assume that there is a fine of 10*l*. for such a failure with regard to the balance sheet as you have pointed out. I refer to either a cooked balance sheet or no balance sheet at all. I ask you who should be punished for that failure. I understand you to say the chairman and the secretary, as the officers of the society; then I ask you whether they should personally bear the punishment, or whether the society should bear the punishment for them?—I say without hesitation that they should personally bear it, because it is an absolute neglect of duty.

7549. Supposing that the fine was paid once, and that the same offence was repeated, would you have a further power of imprisonment?—I would.

7550. I think that you have something to say with reference to the appointment of trustees of societies?—I have. I think that the trustees should be entirely independent, and not personally interested in the society; that they should not be members, and that no other officer of the society should be a trustee, and that every change should be sent to the registrar under their own hand, as in ordinary friendly societies.

7551. In the societies with which you have been acquainted, have the trustees taken an active part in the management, or have they rather neglected their duties?—In the society with which I have been connected the trustees did not take any active part.

7552. Do you think that the alteration which you propose would be likely to make them do so?—When I speak of an active part, I mean that they did not sit on the committee, or take any steps regarding the progress of the association; they simply took care of the deeds, and signed the documents when required, under certain regulations which they enforced.

7553. I meant to ask you whether they performed their duties as trustees, or whether they put their signatures to the documents as a matter of course?—They performed their duties well as trustees. I remember particularly with reference to myself, that a trustee would not sign a deed unless he had an official document signed by the chairman of the committee and myself, instructing the solicitor to wait upon him to procure his signature to such and such a deed.

7554. Do you think that the directors and trustees should be forbidden to borrow money from the society?—I think that the directors might do so, but not the trustees; but it should be under certain restrictions, such as the following: that there should be an independent valuation of the property on which money is lent to the officers of the society, it being a usual rule in building societies, that the directors are the surveyors. There are generally a committee of three or four.

7555. In the best building societies, is not an official surveyor appointed?—In the very large building societies they have appointed official surveyors; but it is not the case in most societies.

7556. I think that you wish to make some remark with reference to borrowing powers?—I do; I am of opinion that building societies should have the power to borrow money either by way of paid-up shares, or

receiving monthly subscriptions as deposits, like a deposit bank, or by way of loans in large sums, but that the sum borrowed should bear some relation to the number of shareholders, and the amount received by way of subscriptions.

7557. What is the actual limit to the borrowing power which you would suggest?—That it should not exceed the amount received by way of subscriptions.

7558. Why do you suggest that limit?—Because I think that persons who lend money to a building society, as in other societies, should have some security, and should have a preferential claim on the assets of the society to the claim of the shareholders, the shareholders having a profit in addition to the interest, whereas the depositors, and those who lend money to the society, have only the interest.

7559. What are the assets of the society?—The mortgage deeds which they have. I know of none of any importance except those.

7560. Looking to that, ought not the limit of the borrowing power to have reference to the amount on mortgage, rather than to the subscriptions?—It would depend upon the security which was given. If you gave a preference security, it should then perhaps have reference to the amount of the mortgages, and a sort of debenture bond, I think, might be adopted.

7561. The subscriptions of the shareholders come in from time to time, and may be withdrawn from time to time, may they not?—They may.

7562. In your opinion, is that a tangible security for the depositors?—No, they have no claim at all on the investing shareholders, because the investing shareholders can withdraw at any time—they are not compelled to complete their shares. Supposing that a man takes a share of 100*l*., and pays 10*s*. a month, and that that payment would make 100*l*. in 12 years, he is not compelled to pay more than two years, or three years, he may stop at any time, and no call can be made upon him for the remainder of his subscriptions.

7563. Then would your view be that the limit to the borrowing power should be with reference to the amount outstanding on mortgage?—I think that it should be about one-half of what is outstanding on mortgage.

7564. That in your opinion would be the proper limit of the borrowing powers?—Yes.

7565. Have you anything to say with reference to the custody of the deeds of the society?—I have. I think that the deeds should be in the custody of the trustees, and the trustees only, and that they should not be deposited with any creditor as collateral security for borrowed money, such as is often the case in depositing the deeds with a bank, so that the banks are generally large creditors of the building societies, and therefore, in the event of failure, they would be paid in full, while other creditors would suffer by it.

7566. But I suppose that the bank would not lend money unless the deeds were deposited?—They frequently lend money without the deeds being deposited; sometimes the directors give their personal guarantee to the bank.

7567. I am speaking of money lent to a society which has borrowing powers. Surely the deposit of deeds with the banker would be a very material element in inducing the banker to lend the money?—The society of which I was secretary did not deposit the deeds with the bank, but borrowed as much money from them as they wished without the deeds.

7568. In your experience have any building societies failed, or been brought into difficulty, owing to large sums having been lent to speculative builders and persons of that description?—I do not know any particular society which has been brought into difficulties through that cause, but I consider it a most objectionable transaction on the part of building societies, and quite apart from the original intention of the Legislature in promoting them.

7569. Are you aware that that practice is frequently carried out?—I am aware that it is frequently carried out,

Mr. J. W.  
Williams.  
Mr. J. Turner.  
6 June 1871.

7570. And also that large sums have been advanced upon buildings which were hardly contemplated in the original Building Societies' Act, such as mills and factories?—Yes, very large sums; and upon warehouses and workshops, which I consider very risky.

7571. But you cannot give us any instances of societies which have failed through such advances?—I cannot.

7572. Were not you connected with a society in Manchester for some years?—I was, namely, the "Householders'" Society, to which I have alluded.

7573. I mean in addition to that one?—Not a building society. I was connected with a provident society in Manchester, and a friendly society.

7574. (*Chairman.*) Would you propose that any measures should be taken to prevent or restrain the advance of money upon what you consider risky securities?—I should.

7575. What measures would you propose?—That building societies should not lend at all on mills or factories, believing that if parties wanted to borrow money on that kind of security they could get it on easier terms.

7576. You mean that you would by law restrain them from lending upon certain specified kinds of securities?—I do.

7577. Do you think that it would be easy to make such a specification as would completely prevent it? How would you do it—by limiting the amount?—By limiting the amount to be lent on any one security.

7578. But do you think that by such provisions you could effectually secure the societies against failures arising from improper advances?—I think that it would tend greatly towards it.

7579. I suppose that you bear in mind that in all this legislation which you seem inclined to advocate, and in the control which you propose to give to the the Government over the operations of societies, you throw a certain responsibility upon the Government, and clothe societies with a kind of character of solvency on the faith of Government certificates and supervision? Do you consider that that supervision of the Government can be made so effectual as really to obviate the risk of loss?—Quite as much so as the recent steps which have been taken with reference to life assurance societies.

7580. And you think that the advantages to be derived from it would counterbalance, and more than counterbalance, the disadvantage which there always is in disarming the natural anxiety and caution of the investor, by leading him to trust to a Government system?—I do.

7581. (*Mr. Roundell.*) Are you acquainted with the recent Act with respect to life assurance societies to which you have just referred?—I am, to a considerable extent.

7582. Are you able with reference to it to point out any matters in which you would think that legislation with respect to building societies might be taken?—I could not do so now, but I should be glad to do so on a future day, and attend with that special object. I took great notice of it at the time.

7583. Could you put in a paper containing suggestions for the application of any of the provisions contained in that Act?—I think that I could.

7584. Perhaps you will be so good as to do so?—I will do so. (*See Appendix B.*)

7585. With reference to the penalties which you would wish to see imposed, would there not be some difficulty in getting persons to undertake these offices of chairman, and secretary, and so on, if you were to subject them to these penalties?—I think not, because the intention at the first, when persons take these offices, is undoubtedly to comply strictly with the Act, which would require those annual returns to be made.

7586. Looking in practice to the persons who undertake these offices, do you think there would be any risk of persons being deterred from undertaking these offices in connexion with the society?—I do not think that there would.

7587. With regard to the trustees, if they are to have no personal interest in the matter, do you think that persons would be found to undertake the duty?—I think that there would be no difficulty.

7588. What kind of persons would be likely to accept the office under the circumstances which you contemplate?—It would depend upon the district; you would find in London, in Manchester, and in large towns, persons in high position, persons retired from, or persons holding offices in the corporation.

7589. Then, I suppose, that generally they would be persons of independent position?—Yes.

7590. As I understand you, you would rely for their beneficial action upon the requirement which they would make for having all proper papers vouched by the officers before they gave their signatures?—Yes. Will you allow me to show you, without mentioning the name of the society, the names of three trustees in London in illustration of the question. The trustees of a new building society in London are the following, Sir John Lubbock, Bart., M.P., William MacArthur, Esq., M.P., and John Holms, Esq., M.P.

7591. You think that persons of independent position might be found to hold all these offices?—I do.

7592. With reference to the annual accounts which you propose to have examined by a public accountant at a central office, would not that system almost defeat itself by its cumbrousness?—The plan of operations under the Joint Stock Companies' Act would best regulate it.

7593. Would not the fact of there being a great multitude of these accounts tend to the examination being made perfunctorily? would it not lead to its being regarded very much as a matter of form by the public officer? would he go into the accounts?—I can only say that it is done with reference to joint stock companies, as we expect that it will be done with reference to insurance societies.

7594. As I understand you, you would rely to a considerable extent upon a uniform form of accounts?—Yes, I should insist upon that. This is a uniform account published in the Act of Parliament for joint stock companies (*handing in the same*).

7595. And with such uniformity, a public officer, in your opinion, would be able to fix his attention upon the material points?—Yes.

7596. (*Mr. Richards.*) Do you think that it would add to the care with which returns would be prepared, if it were required of the secretary and the chairman to make a deposition before magistrates, somewhat in the same way as accountants are now obliged to make an affidavit with respect to the number of passengers on railways?—Such a plan I think would be easy, and would give little trouble, and would add very much to securing the object required.

7597. (*Mr. Bonham-Carter.*) Do you believe that introducing into the practice of these societies what would bear the character of compulsory interference, would not be considered by these now very important bodies as a very serious drawback?—I think not, considering that they should only be interfered with to the extent of keeping them within proper bounds.

7598. These societies have grown up to a very large extent with the very minimum of interference at present?—Yes.

7599. Do you, on the whole, considering the vast amount of capital involved in these societies, think that there are any serious dangers at present connected with them?—I do, in the very large ones.

7600. Dangers sufficiently serious to justify the Government in interfering to prevent some grave calamity hereafter?—Yes.

7601. Up to the present time, have there been many instances of either the shareholders or the depositors suffering?—No; up to the present time I consider that they have been very safe, comparatively speaking, considering the large number of societies which there are.

7602. But I presume from your answer, that you



Mr. J. W.  
Williams.  
Mr. J. Turner.  
6 June 1871.

contemplate as possible such a turn of tide as may bring serious results?—Yes, as the societies have increased to such an enormous extent during the last 10 years.

7603. Do you think on the whole that there is a great amount of over-speculation consequent on their extension?—I do.

7604. In what form do you suppose that the re-action which would involve the depreciation of property, is likely to occur?—In the large sums of money which are lent on mills, and factories, and workshops, which depreciate very much; and the custom in building societies is to take credit for the full amount which they have lent, never having any annual or periodical valuation, which I should strongly recommend as another safeguard;—say that once in five years, as in insurance societies, there should be a periodical valuation. Secondly, I think that there is danger in the large sums of money which are lent to speculative builders to build new houses. If anything should happen to the builder, the whole of his houses, without tenants, would be thrown on the hands of the building society.

7605. But is not one of the grounds upon which the building societies assert that they secure themselves against the risk which you have mentioned the fact that, when they advance money, the repayment in reduction of the money advanced commences before any serious depreciation of the property can set in?—Such is the case in some instances, but not in very large transactions. For instance, one-half of the amount, or in the case of new buildings, one-fourth of the amount, would be lent from time to time until the whole amount was lent; and until the whole amount of the share was lent the repayments would not in ordinary cases commence.

7606. What do you call a large amount?—I should call 10,000*l.* a large amount to be lent on any one class of property in one neighbourhood.

7607. It has been brought to our notice that there are occasional instances of amounts of several thousands being advanced, but they are generally only a small proportion of the whole amounts advanced by the society. Do you think that there should be any such interference as would specify the peculiar nature of the building upon which the advance is to be made?—I think that certain buildings should be struck out, without describing what other buildings might be admitted.

7608. Whatever may have been the original intention of the Act (and it has been held that it was intended to enable the artisan class to buy for themselves a house, or more than one house), as far as it can be presumed from the preamble, the intention being that the Act shall apply to a limited amount, and to a certain class, the wording of the Act has been held to require an advance upon freehold and leasehold security, and to authorise such an advance without any limitation, and to a very large extent?—Yes.

7609. Would not such a restriction as you contemplate fetter and hamper the action of the societies to an extent which would cause them either to resist or to evade?—I think not. I think that it would only interfere with those societies who are doing such a business too large an extent.

7610. Upon what ground would you justify the interference? Would you justify it in the public interest, or in the interest of the shareholders, or of the depositors?—The whole three would be affected. I would do it in the public interest, and in the interest of the shareholders, and also in the interest of the depositors.

7611. When you apply a compulsory law there naturally is some objection to the compulsion. Upon what ground would you justify it with regard to advantages? Do you consider that the advantages which are given by the exemption from stamp duty and other privileges, are sufficiently important to justify you in saying "We have put you on a special footing, and therefore we are entitled to special requirements from you?"—That is the very point

which I should like to mention. It was never intended, when building societies were exempted from these expenses, that transactions of so large a nature should also be exempt from the stamp duty, and from paying income tax, and so on. Deposits are received in building societies, and the interest is received by the depositors, without paying any income tax.

7612. In all matters of business, it is generally supposed in this country that the freest course should be permitted, and that if Government interferes between the parties to any business transaction, you should have some justification for doing so, either in the fact that the public may be seriously damaged by the transaction, or that you have given to one of the parties such privileges by Act of Parliament or otherwise as to entitle you to interfere. You consider that in building societies both the danger is so great, and the privilege which they enjoy is such, as to entitle you to interfere?—I do; and I would add that, considering the vast sums of money which building societies have, whereas the original intention was that working men, mechanics, and clerks should have houses of their own to live in, such persons would have difficulty in getting 100*l.* or 200*l.* from a building society, when the transactions are 1,000*l.*, or 5,000*l.*, or 10,000*l.*

7613. Then you think that the departure from the original intention, which you assume to be, that a man should become his own landlord, has brought these bodies into such a condition that Government is bound to interfere?—Yes, and that these societies are not used as they ought to be; there is not the advantage and privilege gained from them which working men and others ought to have. I have the greatest confidence in building societies rightly conducted, and I believe that they are the means of doing a very large amount of good in the country.

7614. You would make a special arrangement for investigation so as to insure more or less the security of these societies. You have suggested that there should be returns made to a registrar, and feeling that the difficulty of a registrar's inquiry in London is great, you have also suggested that a staff of accountants who could prosecute the inquiry locally should be employed all over the country. That, of course, would involve a considerable charge. Is it right that that charge should be borne by the country, or would you in any way fix it on the societies?—I would fix it in some way on the societies, either by charges on their mortgages, or on the business which they do, or otherwise. I do not think that the whole of that expense should be borne by the country.

7615. You are aware that in savings banks, and friendly societies, and such institutions, it was held when they were first established that there was such benefit to the public, by developing the saving habits of the working classes, that it was justifiable to make some charge. Am I to understand you to say that the character of the building societies has, in your opinion, so far departed from the original intention, that they have no right now to claim from the public any outlay in maintaining them in a secure position?—I would do it in some way; I would take a portion of the cost; I would not make them heavy charges. I think that as building societies are now conducted they should bear a portion of the cost.

7616. Would the way in which it strikes you it should be done be, that there should be a charge on the mortgages, or would you make the society pay for the cost of any inquiry which might arise?—If an inquiry was necessary from something being wrong, they should be chargeable with the cost, but as respects the ordinary expenses of the office, I would pay them by a charge on the mortgages; indeed it would be a good thing, I think, that there should be a registration of the mortgages in the registrar's office, and then for the registration a certain fee might be paid.

7617. You have submitted to the Commission a certain form which you consider might be elaborated into a model?—I have.

7618. Do you think that any form could be devised which would do more than give materials, by way of

indicating the direction in which the persons most interested should make their inquiries?—I think so.

7619. Bearing in mind what Sir Michael Beach has asked you, supposing the case of a society beginning to go into the background, would it not be the interest of those who conducted it to try to conceal that fact as much as possible?—No doubt it would.

7620. Do you think that any class of balance sheet or return could fully provide so as to give a knowledge to the members and those interested of the fact that any society was going back?—Yes; if a form of balance sheet was adopted, and if the books were kept in a way suited to that form of account, it would be almost impossible for the society to go wrong without its being found out in time.

7621. Would you have any independent person to verify the possession of the adequate securities for the mortgages?—I do not think that it is necessary in all cases, but only in very few. The directors of building societies, by their frequent action in the matter, and devoting so much time to that special purpose, (I am alluding now to lending money on cottages and on small property, and not upon mills and factories, and in sums of 10,000*l.*) have a very good knowledge of the security which is offered.

7622. You are not prepared to say that the actual possession of the deeds should be verified?—I thought that you alluded to the value of the security. The actual possession of the deeds would be verified by the trustees, the directors, and the auditor.

7623. Would you make it compulsory that there should be submitted to the registrar any verification of the fact of such deeds existing?—Yes, I would make it compulsory that the auditor should have to certify in the balance sheet that he had examined the deeds, and found them to correspond with the schedule, and that they were all there.

7624. Have you seen the Bill which was introduced in 1869 by Mr. Gourley, to amend the existing Act?—I have just glanced over it since I came into this room.

7625. Do you think that the clause which obliges the proper officer to lodge with the registrar an account setting forth the funds, and how they are invested, distinguishing between funds raised by subscriptions and those raised by borrowing or by paid-up shares, would be sufficient without a model form?—I do not think that it would be sufficient. I notice the same suggestion as my own, but there is the addition of the particulars which I have recommended.

7626. As the amount of money originally advanced on mortgage, or raised by subscriptions, must be a varying amount, on account of the power which exists of ceasing to subscribe, or withdrawing, or paying off mortgages, would you make the amount borrowed vary in the same way?—You could not do it if there were any large withdrawals; for instance, no penalty could be put upon it.

7627. Then you would find considerable difficulty in fixing any precise limit, either the amount of subscriptions, or the amount outstanding on mortgage?—I have prepared a form to be used in any kind of building societies, or any societies which lend money.

7628. It would be a serious thing to make it a penal act, and to enact that the infringement of the limitation of borrowing to a particular proportion should be followed by a penalty upon the officers?—It would be very serious. You mean that, supposing a society had lent 20,000*l.*, and therefore had the privilege of borrowing 10,000*l.* and that 5,000*l.* of that 20,000*l.* was suddenly returned, they would have borrowed more than they were allowed by the Act to borrow?

7629. Yes. Would you make that penal?—I would not.

7630. If you put such a restriction, who would be the person to enforce it?—It is like many things which are in Acts of Parliament, especially for the regulation of friendly societies. There are a great many things which, not being penal, are either adopted or otherwise; they are merely suggestions.

7631. Supposing that an annual return was made to the registrar, but that in the middle of the year the money advanced became considerably in excess, there would be a breach of the Act of Parliament, without any means of ascertaining it in the interest of members, or depositors, or the public, and without any means of informing the public?—The duty of the registrar would be to call attention to it, and to state that it must be brought within the Act of Parliament in a certain time.

7632. How would the registrar know it? Would you make it obligatory upon the managers to send to the registrar, when in default, a statement that they had a larger sum advanced than they were entitled to have?—No. I would take the risk of it until it came out by the annual statement which was sent in. I remember a form of this kind, in connexion with a company, where a certain return was required, and there was no penalty, and an official letter came stating, "Unless this return is sent in it will be my duty to report you to the Secretary of State." That had the effect of bringing the return which was required.

7633. Then you think that public opinion, upon the publication of any default, would be so much dreaded by the managers that it would have a material effect?—I do, without a penalty.

7634. (*Sir M. E. Hicks-Beach to Mr. Turner.*) You are connected with the Aldgate and General Mutual Benefit Building Society?—I am.

7635. Are you an officer of that society or a member?—A member.

7636. Of what description?—I had two shares by transfer at the end of the year 1868. The balance sheet in 1868 showed a profit of 222*l.* 14*s.* 6*d.*

7637. Do you mean that on the faith of that you purchased your shares?—No; I purchased previously to the publication of the balance sheet.

7638. Are you an investing shareholder, or an advanced shareholder?—An investing shareholder.

7639. What is the amount of the shares?—Two of 100*l.*

7640. Are they paid up?—No.

7641. What is the number of members of that society?—The amount of their liabilities was 2,058*l.*, according to their balance sheet at the end of 1868.

7642. To whom were they liable?—To the shareholders.

7643. Does the society receive deposits or take loans?—No.

7644. Then that was the total amount of their liabilities?—Yes.

7645. What were their assets?—They had shown a profit of 222*l.* 14*s.* 6*d.*, which I considered to be fallacious, so far as my judgment went.

7646. Have you one of your balance sheets which you can put in?—I have a copy of a part of it.

7647. Is this a permanent or a terminating society?—A terminating one.

7648. When will it terminate?—I can hardly tell.

7649. Is this document which you have put in a report of a committee of shareholders?—Yes.

7650. Were they appointed to inquire into the state of the society?—Yes, with a very great deal of difficulty.

7651. What was the reason for this committee being appointed?—From being dissatisfied with the balance sheet, it not being correct. The directors had shown in the balance sheet the large profit of 222*l.* 14*s.* 6*d.*, and a portion of it was on money which they had not realised. They showed profit on 600*l.*, which they had not the money to lend.

7652. Can you point out the particular item in which this balance sheet is wrong?—According to my own view this would be the correct balance sheet (*handing in another document*).

7653. Is this written statement which you have handed in, the statement which was agreed to by the committee?—Yes, I bring one.

7654. The committee agreed to this statement in the place of the balance sheet which was issued by

Mr. J. W.  
Williams.  
Mr. J. Turner  
6 June 1871



Mr. J. W.  
Williams.  
Mr. J. Turner.

6 June 1871.

the directors?—Yes, two out of three of the committee did so; my co-committeeman, who agreed with me, was connected with an accountant, Mr. Evans, of Coleman Street.

7655. I see that in the balance sheet issued by the directors, there is an item under the head of assets, "balance owing on advances, 2,692*l.* 19*s.* 9*d.*" In your statement that appears as only 1,481*l.* 7*s.* 3*d.*?—Yes.

7656. How do you account for that difference?—They have taken the 1,000*l.* premium, together with the profit, which they have not realised, and would not realise for some considerable time.

7657. How many years is it expected that the society will run?—I cannot myself say. My object in joining was that I believed them to be going on in a way not very creditable, and showing what I held to be a fallacious balance sheet to deceive the public; they were misrepresenting: they were showing that they had done a larger business than they had done, and they tell me that that is very common among building societies.

7658. As I understand you, the premiums which the directors reckon as assets of the society are actually owing? You explain the difference between the two balance sheets by saying, that the directors reckoned in their sum premiums which you thought ought not to be reckoned in it?—Yes.

7659. But those premiums are actually owing, are they not?—They have taken credit for premiums when they had not the money to lend; they have sold shares to the amount of 600*l.*, for which they would not have the money for a considerable time. A portion of their profit is from shares sold at a premium.

7660. Will you explain the terms of which this balance owing on advances consists?—They have taken credit, I think, for money which they have not got to advance.

7661. The item is, "balance owing on advances;" on the face of it, those advances must have been made?—No, for there is 1,000*l.* plus 211*l.* 12*s.* 6*d.* which they have taken credit for when they have not had the money to advance.

7662. Do you mean that they have inserted in this balance sheet as an advance actually made, 1,000*l.* which never was advanced?—They had not got it to advance.

7663-4. Have they put it down as advanced, when it never was advanced?—Yes.

7665. Then do you mean to say that this entry of 2,692*l.* 19*s.* 2*d.* is false to a certain extent?—Yes.

7666. Out of that sum about 1,210*l.* never had been advanced by the society?—No.

7667. You place under that head the sum of 1,481*l.*?—Yes.

7668. I am endeavouring to find out the reason for the difference between those two sums. I want you to account for the difference of 1,211*l.* 12*s.* 6*d.*?—They have taken credit for money which they have not advanced.

7669-70. 1,211*l.* 12*s.* 6*d.*?—Whatever the exact figures are, you and your fellow committeemen were of opinion that the balance sheet of the directors was wrong?—Yes.

7671. And that being so, do you come here to suggest any remedy by legislation for such a mistake?—I think that there should be a surveillance over the balance sheets generally.

7672. Of what description?—To vouch for their correctness.

7673. Do you suggest that a public auditor should be appointed by the Government?—Yes, and that there should be a form.

7674. You think that a form for accounts should be laid down, such as that which the preceding witness has suggested?—Yes, or some other form, some simple form to be adopted generally; the books to be also kept to a form to be adopted after due consideration.

7675. I do not quite understand your suggestion as

to a public auditor; do you wish to see merely a provision in an Act of Parliament for an audit by competent persons, when the accounts are drawn up in a certain form, or that there should be a central office at which all accounts should be audited?—They should be sent there to be examined after being audited. I think in most cases the examination and checking of balance sheets from year to year would be sufficient without auditing the societies' books. The power of doing so being, however, in the discretion of the registrar, should he think it necessary, would prevent the many falsifications and mystifications which I believe now to be knowingly carried on in many small societies to cover their expenditure.

7676. Then your views on that point agree with those which the last witness has expressed?—Yes.

7677. Is there any other point on which you wish to give evidence?—I have been an auditor in two societies, of one of which I have the balance sheet; my co-auditors signed two previous balance sheets, and there was a committee then formed to produce another. There were three different balance sheets signed by my co-auditors, and the third was prepared by a committee.

7678. This I see is one of the Bowkett societies?—Yes.

7679. Do you mean that the auditors differed?—My co-auditors signed three different balance sheets, and the secretary also signed them; they signed two balance sheets previous to that which I now produce, which was the third.

7680. Which of those balance sheets was eventually adopted?—The one which I have handed in; previously to that two others were signed by my co-auditors, and by the secretary.

7681. What was the reason of the difference?—The two first were both incorrect.

7682. Were you the person who discovered the incorrectness?—I was.

7683. Were the members of this society satisfied with your audit?—They were not satisfied with the two former audits.

7684. But were they satisfied with yours?—That was drawn up by a committee. What I wished to draw your attention to was that my co-auditors signed two other sheets previously as being correct.

7685. Were your co-auditors in any way professional accountants, or anything of that kind?—No.

7686. Are you yourself an accountant, or an actuary?—No.

7687. Then you simply mention that as another instance of the necessity for a professional audit?—Yes. With regard to the Aldgate society, the result has been that they have, as they say, broken it up, and they put it all into the hands of the solicitor, who is purchasing the shares at 12*s.* 6*d.* in the pound.

7688. That is the last society to which you have referred?—Yes; I applied to Mr. Tidd Pratt, and having understood from him that the society could not be broken up without the sanction of all its members, I protested against its dissolution. At the present time it is all in the hands of the solicitor; the trustees say that they have nothing to do with it, and the solicitor tells me that he does not acknowledge me at all in the matter.

7689. Is there any other statement which you wish to make?—I will merely show you my authority, here is my book (*producing the same*), and that is the secretary's signature.

7690. That is to show that you are a shareholder in the society?—Yes, I think that the trustees in some way should be made liable and responsible to somebody.

7691. Are they not liable now?—They tell me that they are not. They tell me that I have no claim upon anybody.

7692. Have you anything further to state?—No, except that I would also make it compulsory (under a fine) to register with full particulars the winding-up or termination of a society.

The witnesses withdrew.

## No. I.

(Referred to in answer to question 7469.)

## THE PERMANENT BENEFIT BUILDING SOCIETY.

## FORM OF ANNUAL STATEMENT OF ACCOUNTS.

Mr. J. W.  
Williams.  
Mr. J. Turner.  
6 June 1871.

Dr.	Cash Account.	Cr.
RECEIPTS.	PAYMENTS.	
To balance in bank - - - -	By cash advanced to members on mortgage -	
To do. in hand - - - -	By shares paid off to members withdrawn.	
To contributions in respect of unadvanced shares.	By cash repaid depositors - - -	
To contributions in repayment of mortgages on shares.	By loans repaid - - - -	
To contributions in respect of loans and deposits from depositors.	By management of property:	
To loans by bank - - - -	Collection of rents, &c. - - -	
To interest in respect of advances to members on mortgages.	Repairs, &c. - - - -	
To interest allowed by bank - - -	By expenses of management - - -	
To premiums received on advances - -	By treasurer - - - -	
To rules, entrance fees, fines, and transfers -	By secretary - - - -	
To rents received from property surrendered to the society.	By directors' fees - - - -	
	By office rent - - - -	
	By clerks' salaries - - - -	
	By printing and stationery - - -	
	By advertising - - - -	
	By postage - - - -	
	By miscellaneous expenses - - -	
	By interest paid shareholders - -	
	By " " on deposits and loans - -	
	By " " bank - - - -	
	By bank commission - - - -	
	By balance in bank - - - -	
	By " in hand - - - -	
£	£	

Dr.	Profit and Loss Account for the year ending 18 .	Cr.
To expenses of management - - - -	By balance brought forward from last year -	
To management of property and repairs - -	By interest in respect of mortgages - - -	
To banker's commission - - - -	By interest allowed by bank - - - -	
To interest paid to shareholders on deposits, on loans, and to the bank.	By premiums on advances - - - -	
To interest credited, investors, depositors, and loans, at 5 per cent.	By rents received from property belonging to the society.	
To balance surplus profit - - - -	By rules, entrance fees, fines, stamps, &c. - -	
£	£	

## Balance Sheet.

LIABILITIES.	ASSETS.
To sundry shareholders - - - -	By present estimated value of mortgages - -
To loans and deposits - - - -	By " " of property belonging to the society.
To loans on debentures - - - -	By office furniture - - - -
To bank - - - -	By rules in hand - - - -
To sundry outstanding liabilities - - -	By balance in bank - - - -
To balance, surplus profit as per profit and loss account.	By " cash in hand - - - -
£	£



Mr. J. W.  
Williams.  
Mr. J. Turner.  
6 June 1871.

## No. II.

(Referred to in answer to questions 7469-7507.)

## BALANCE SHEETS OF DIFFERENT BUILDING SOCIETIES.

## No. 1.—PERMANENT BUILDING AND INVESTMENT SOCIETY.

Financial Account for the Year ending 30th April 1870.

Dr.	Cash Account.				Cr.				
		£	s.	d.			£	s.	d.
To subscriptions -	-	-	-	8,069 6 5	By advances -	-	-	9,985 0 0	
„ loans -	-	-	-	1,600 0 0	„ shares withdrawn -	-	-	170 10 0	
„ deposits -	-	-	-	500 0 0	„ preliminary and current expenses -	-	-	245 6 4	
„ repayments of advances -	-	-	-	333 18 10	„ insurances -	-	-	1 6 4	
„ fees, fines, and sundries -	-	-	-	110 13 11	„ discount on prepayment of sub- scriptions -	-	£ s. d. 21 12 0		
					„ interest on completed shares -	-	12 14 0		
					„ „ deposits -	-	2 1 10		
								36 8 0	
					„ cash at bank -	-	169 13 1		
					„ „ in hands of manager -	-	5 15 5		
								175 8 6	
								£10,613 19 2	
				£10,613 19 2					

Dr.	Balance Sheet.						Cr.				
LIABILITIES.			£	s.	d.	ASSETS.			£	s.	d.
To members' subscriptions	-	-	-	7,898	16	5	By secured balances of advances with interest	-	13,386	15	10
„ bankers	-	-	-	1,600	0	0	„ cash at bank	-	-	169	13
„ depositors	-	-	-	500	0	0	„ „ in hands of manager	-	5	15	5
„ interest due to members and depositors				166	10	2				175	8
„ amount due to printer and stationer				6	2	0					
„ prospective profit secured	-	-	-	3,390	15	9					
				£13,562	4	4				£13,562	4

Dr.	Profit and Loss.				Cr.						
		£	s.	d.			£	s.	d.		
To preliminary and current expenses	-	-	245	6	4	By sundry fees, fines, &c.	-	-	109	18	1
„ insurance	-	-	0	10	6	„ prospective interest on advances	-	-	3,735	14	8
„ discount on prepayments, and interest on com- pleted shares and deposits	-	-	36	8	0						
„ interest at 5 per cent. due to members and depositors	-	-	166	10	2						
„ amount due for books and printing	-	-	6	2	0						
„ prospective profit carried forward	-	-	3,390	15	9						
			£3,845	12	9				£3,845	12	9

## No. 2.—PERMANENT BUILDING SOCIETY.

Dr.	Balance Sheet for the Year 1867.				Cr.	
	LIABILITIES.				ASSETS.	
To subscription account :	£	s.	d.	£	s.	d.
Amount as per last report -	55,531	8	11			
„ received during the						
year - - -	12,699	10	0			
	68,230	18	11			
Less amount withdrawn -	4,868	10	0			
	63,362	8	11	63,362	8	11
Reserve fund account :						
Amount as per last report -	1,078	8	9			
„ transferred from						
last year's profit -	267	13	10			
				1,346	2	7
Amount borrowed on loan -	-	-	-	21,310	0	0
Surveyor's account :						
Amount in hand -	-	-	-	14	12	3
Dividends account :						
Amount of unclaimed dividends	-	-	-	60	17	8
Interest account :						
Amount due on loans to date	-	-	-	323	7	4
Balance of profit and loss account	-	-	-	5,944	8	4
				£92,361	17	1

Dr.	Profit and Loss Accounts.	Cr.	Mr. J. W. Williams. Mr. J. Turner. 6 June 1871.
To reserve fund :	£ s. d.	£ s. d.	
Amount transferred - - -	267 13 10	6,055 0 8	
Dividends and property tax - - -	3,214 10 1	1,461 7 0	
Expenses, viz.:			
Directors' remuneration, secretary's salary, audit fee, rent of offices, &c. - - -	£ s. d. 418 9 8		
Printing, stationery, and advertising - - -	106 11 2		
	525 0 10		
Interest :			
Amount paid on loans, bank commission, &c. - - -	1,694 2 10		
Balance of profit - - -	5,944 8 4		
	<u>£11,645 15 11</u>	<u>£11,645 15 11</u>	
		By balance - - -	5,944 8 4

## No. 3.—BUILDING AND INVESTMENT SOCIETY.

Dr.	Statement of Receipts and Expenditure for the Year 1867.				Cr.							
RECEIPTS.				EXPENDITURE.								
£ s. d.				£ s. d.								
To balance in bank, January 1866	-	-	1,655	8	11	By mortgages	-	-	-	53,309	8	0
„ contributions in respect of unadvanced shares	-	-	57,047	13	0	„ shares withdrawn	-	-	-	15,188	8	9
„ „ „ repayment of mortgages	-	-	13,251	6	11	„ bankers' commission	-	-	-	81	0	10
„ fines, rules, transfers, &c.	-	-	70	0	1	„ general charges, rent, agencies, stationery, printing, advertising, and management expenses	-	-	-	1,159	13	7
„ premiums received	-	-	250	0	0	„ balance in Manchester and County Bank	-	-	-	2,753	13	6
„ interest allowed by bankers	-	-	217	15	9							
			£72,492	4	8					£72,492	4	8

Dr.	Profit and Loss Account for the Year 1867.				Cr.						
£ s. d.				£ s. d.							
To general charges, &c.	-	-	1,159	13	7	By balance in favour of society, Jan. 1866	-	-	2,317	2	10
„ bankers' commission	-	-	81	0	10	„ premiums on mortgages deferred	-	-	4,297	16	0
„ interest allowed to contributors on unadvanced shares	-	-	3,294	1	1	„ „ received	-	-	250	0	0
„ depreciation on furniture	-	-	16	10	0	„ interest arising on mortgages	-	-	2,698	12	11
„ premiums returned; amounts prepaid	-	-	230	12	2	„ „ allowed by bankers	-	-	217	15	9
„ balance in favour of society	-	-	5,069	9	11	„ fines, rules, transfers, &c.	-	-	70	0	1
			£9,851	7	7				£9,851	7	7

Dr.	General Statement, 1867.						Cr.			
LIABILITIES.				ASSETS.						
		£	s.	d.		£	s.	d.		
To unadvanced share fund	-	-	81,941	3	0	By mortgages	-	84,156	19	5
„ balance in favour of society	-	-	5,069	9	11	„ office furniture and fixtures	-	100	0	0
					„ balance in Manchester and County Bank	-	2,753	13	6	
			£87,010	12	11			£87,010	12	11

## No. 4.—PERMANENT BUILDING SOCIETY.

Dr.	Cash Account from 1st January to 31st December 1870.				Cr.				
RECEIPTS.					DISBURSEMENTS.				
		£	s.	d.			£	s.	d.
to shareholders' subscriptions	-	-	3,390	5 2	By cash advanced on mortgage	-	-	26,172	8 0
„ „ „ deposit shares	-	-	10,271	0 0	„ withdrawn subscriptions and interest on loans	-	-	1,521	1 3
„ „ „ „	-	-	7,053	3 0	„ printing and stationery	-	-	40	1 6
„ deductions on advances	-	-	482	10 4	„ advertising	-	-	29	7 9
„ redemptions	-	-	1,742	8 0	„ deed chest	-	-	9	14 0
„ interest allowed by bank	-	-	13	18 2	„ postage and bill stamps	-	-	7	8 9
„ rules and fines	-	-	5	6 3	„ secretary's salary	-	-	70	0 0
„ amount due to bank	-	-	5,059	17 4	„ treasurer's „	-	-	10	0 0
					„ directors' fees	-	-	12	0 0
					„ miscellaneous expenses	-	-	11	10 10
					„ school rent	-	-	2	15 0
					„ bank commission	-	-	39	10 6
					„ Interest	-	-	92	10 8
					</				





Mr. ALFRED ALLOTT examined.

Mr. A. Allott.

6 June 1871.

7693. (*Sir M. E. Hicks-Beach.*) I believe that you are secretary of the Sheffield and South Yorkshire Permanent Building Society?—Yes.

7694. Are you also acquainted with the state of the building societies generally in Sheffield?—Yes, pretty fully. I have obtained statistics relating to nearly all the building societies in Sheffield, with the view of laying the facts before the Commissioners this morning. (*see return annexed, No. 1.*)

7695. I notice, from the statement which you have handed in, that there are a considerable number of terminating societies, as well as permanent societies in Sheffield?—Yes, there are more terminating societies than permanent ones.

7696. You have placed before me a list of about 30 terminating societies?—There are 28 named societies. The first society there mentioned, namely, the Sheffield Equitable, is in 13 sections, each of which is, so to speak, a separate society. Three of those sections have run out.

7697. Are all these terminating societies which are mentioned in this paper at present in existence?—Yes.

7698. The dates of their formation, I see, vary from 1854 to 1870?—Yes; terminating societies have existed in Sheffield for a very much longer period than those periods which are mentioned there, but the societies which you have before you are those which are now in existence. The permanent societies have not existed earlier than 1849. The Sheffield and South Yorkshire was the first building society established in Sheffield upon that principle.

7699. Several of these societies appear to have been continuations, as it were, of one another, and to have been established in succession by the same individuals?—That is so.

7700. For instance, taking the Borough Benefit Building Society, the first was established in 1854?—Yes.

7701. Then I see the Second, Third, Fourth, Fifth, and Sixth established in different years down to 1869?—Yes.

7702. And all by the same secretary?—Yes, and chiefly by the same directors. They are also all managed by the same solicitors.

7703. I suppose that the object of that was that one should, as it were, take up the business of another?—That is so.

7704. And in fact, by a succession of terminating societies, much the same end was ensured as by a permanent society?—That is so.

7705. What was the reason for continuing to form terminating societies, instead of at once forming a permanent society?—The only explanation which I can give of that is the preference which existed for the terminating societies, up to the time when permanent societies had been successfully established. At first it was looked upon as an exceedingly difficult, and almost an impracticable thing, to establish a permanent society. In the earlier years of the Sheffield and South Yorkshire Society, they were comparatively small in the extent of their operations.

7706. What were the difficulties which stood in the way?—People did not see how the accounts could be so kept as clearly to satisfy investing members, or borrowing members, at any fixed periods, that is to say, that the shares would be realised at the proposed periods, and that the mortgages should cease at the proposed periods; the practice of the terminating societies being to go on as long as is necessary until each share has matured, so that the borrowers and the investors are presumed to be upon a perfect equality at the termination of the society.

7707. Since then it has been discovered that that is practicable?—Yes.

7708. And is it now the case that permanent societies are more popular in Sheffield than terminating societies, or the contrary?—The societies which have been established more recently are, I think, for the most part permanent societies.

7709. I see that in the list of terminating societies which you have put in, there are 3,570 members?—Yes.

7710. Holding a total of 12,583 shares, of which 2,013 are investing shares, and 2,266 are borrowing shares?—The total number of shares in existence, 12,583, is right, but in the returns which I got from the societies some of them have not defined how many are borrowing, and how many are investing shares, so that the totals which you have of investing shares and borrowing shares do not amount to the total number of shares; therefore practically those two columns are useless, they do not indicate the actual facts.

7711. I observe that in almost every one of these societies the amount of the share is 120*l.*?—Yes.

7712. There are three, I think, in which the amount is 100*l.*, and there is one in which the amount is 60*l.*?—Yes, there are two where it is 60*l.*, namely, the "Sheffield Equitable," and the "Atlas." The reason why 120*l.* is preferred is the practice with the building societies in Sheffield, when first established, of having monthly payments of 10*s.* a share, extending over a sufficient period of time to realise 120*l.*

7713. To follow up the accounts of these terminating societies, I see that the amount owing on investing shares is 288,322*l.*?—Yes.

7714. The amount owing on deposits is 351,932*l.*, and the amount owing by borrowers is 754,893*l.*, and the total amount advanced by the societies since their formation has been 1,053,518*l.*?—Yes.

7715. Have these terminating societies, generally speaking, confined their operations to Sheffield and its immediate neighbourhood?—I think, that generally speaking, they have.

7716. Then may I take it that that large sum advanced represents houses actually built in and close around Sheffield?—It is not confined to houses; money has been lent by building societies in Sheffield upon other property than dwelling-houses.

7717. Property of what description?—It has been lent upon works and land. Perhaps the largest individual loans have been made upon works, that is, within comparatively the last few years.

7718. Was that the practice of terminating societies as well as permanent?—Yes.

7719. Can you give us any instances of large advances of that nature? I refer to the amount?—I know more, of course, about my own society than I do about the others. In the case of the South Yorkshire Society we have advanced as much as 10,000*l.*, 12,000*l.*, 15,000*l.*, 20,000*l.*, and 30,000*l.*

7720. In single advances?—In single advances.

7721. In the cases of those large amounts, have those advances been made to the owners of the factories and works, or to the persons building them?—To the owners in every instance.

7722. Are you acquainted with any cases where the works have failed, and the society has been obliged to take the property?—No. The loans of that character have always been made with such a very ample margin, and with such a satisfactory security in the personal responsibility of the individual partners in the firm, that there has been practically no risk.

7723. Was it the case, in the early stages of the existence of building societies in Sheffield, that loans of that amount were made?—No.

7724. When did the practice spring up?—I believe it has sprung up within perhaps the last 8 or 10 years.

7725. I presume you would hardly be of opinion that advances of that amount were contemplated at the time of the passing of the Building Societies' Act?—Certainly not.

7726. Do you think that the making of such advances is a legitimate part of the business of building societies?—That is a question which has occupied my mind a good deal. I do not think it was originally contemplated that such loans should be made, but the extent to which building societies have grown has led to the employment of their funds in ways



Mr. A. Allott.  
6 June 1871.

which, whilst they come within the letter of the Act of Parliament as to the nature of the securities, go beyond the original intention, which was to enable the working classes to build houses, and to become owners of dwelling-houses.

7727. I suppose that, going away from those large advances, there are very many cases in which these terminating societies, and also the permanent societies in Sheffield, have made advances to workmen and artisans for the purpose of building houses?—Yes; the greater number of loans which are made are of that character, not only to artisans, but to persons in a higher position in life, who borrow money to enable them to build their own houses, or to purchase their own houses, and who can afford to make the repayments out of their income.

7728. Would many of the advanced members of building societies in Sheffield be persons who are, in the ordinary acceptance of the term, called the working classes, persons who are in the receipt of 2*l.* a week or so?—No, I do not think that many of them would be of that class; the greater number of the investing members are persons of that class.

7729. Then, as regards that class, the society is principally of use to them for the purpose of investment?—That is so.

7730. Looking at it in that light, I suppose permanent societies would be of more service to them than terminating societies?—I think so, because they are not fettered by the impending dissolution of the society at a given period.

7731. I notice that these terminating societies generally speaking, with some few exceptions, have taken deposits?—They have.

7732. Have they had borrowing powers in their rules?—I do not think that they have, as a rule. The borrowing powers have been understood to be exercised rather in addition to the powers which their rules give them than under the powers of their rules.

7733. Have these deposits been taken on the promissory notes of the directors?—No, I believe not. In some instances they are so taken, but in many instances they are given upon a receipt stating the fact of so much money being lent to the society, or to the trustees of the society, and bearing interest. In the case of the permanent societies, a form of receipt was prepared some years ago by Mr. Scratchley, which has been adopted to a considerable extent. That form states that the amount received from the person advancing the money is in payment of a paid-up share, and that in lieu of all other profits he receives so much per cent. interest on that amount, with the right to withdraw at the end of the year, or at any shorter time, by giving a certain number of months' notice.

7734. That does not apply to terminating societies?—I do not think that it does.

7735. I suppose that in a good many cases with reference to them the depositors have no real security whatever?—In reference to the terminating societies, I do not think that they have any. My impression is, that, if it was tested legally, it would not stand.

7736. Have you known of any cases in the terminating, or in the permanent societies, where the depositors have lost their money in consequence?—I have never known a case in Sheffield.

7737. Have you known a case anywhere else?—I have known a case, in Doncaster, where the secretary committed various defalcations, and that led to the winding-up of the society, and the investing members and the depositors alike suffered loss.

7738. To what extent?—The secretary's defalcations amounted to over 4,000*l.*, and the expenses of winding up the society in chancery were very considerable. I was appointed liquidator by the court in that case. That is the only case of the winding-up of a building society with which I am conversant.

7739. Some of these terminating societies appear to receive a very large amount of deposits, in comparison with their shares. For instance, I notice one, the Fifth Sheffield and Rotherham, in which there are 80 members; the amount owing on investing shares is 387*l.*, and there is 15,600*l.* owing on deposits?—Yes;

that is a very great disproportion, and a greater disproportion, I think, than ought to exist.

7740. The Fourth Sheffield United Benefit Society has 12,303*l.* owing on investing shares, and 58,351*l.* owing on deposits?—Yes; that I believe arises from the fact of these four Sheffield United Societies being practically worked in the way which you were describing just now, as one society. They are working one into another, and when one society is approaching its termination, the deposits which were lent to the first society are transferred to a subsequently formed society, so that the disproportion between the amount of deposits and the amount of investing members' subscriptions appears to be very large.

7741. How is it that some of these societies have been able to do without deposits, while others have received them so largely?—Those which have done without deposits have done very little business. If you will allow me to call your attention to the First Borough Benefit Building Society, you will see that nothing is put down for deposits, that is to say, that nothing is put down for deposits as existing now or up to the 31st of December last. Some of these statements are up to the 31st of December last, and some of them are up to a later period in this year, but there are no deposits in that society now; it is approaching its termination, and I have no doubt that the deposits which were originally lent to that society form part of the deposits which are now held by the Fifth and Sixth societies; they have simply been transferred from one to the other. So that the fact of there being no deposits in the column opposite the name of any society does not imply that they never had any.

7742. The same observation, I suppose, would apply to the First and Second Norfolk Societies?—Yes.

7743. In your opinion, was the practice of receiving deposits at all due to applications for very large sums of the nature which you have described to be lent on mortgage?—No.

7744. On the other hand, was it due to a wish on the part of the working classes to invest in smaller sums than they can under a 100*l.* share?—Yes, and deposit sums in a building society at a higher rate of interest than they can obtain in the savings bank.

7745. Is there any general rate of interest which these building societies give to depositors?—I believe that the general rate is 5 per cent.

7746. And that applies also to the permanent societies?—It, I believe, applies to all the permanent societies, except the Sheffield and South Yorkshire Society, where, out of the 57,000*l.* of deposits, 21,000*l.* is at 4 per cent., and the remainder will be reduced to 4 per cent. next month. The average rate of interest which they were paying was  $4\frac{1}{2}$  per cent. on 31st December last.

7747. Will you now turn to the permanent societies:—they have all been formed, I see, since 1863?—No; there was one formed in 1858; that was the second one, I think, formed after the South Yorkshire, which was formed 1st January 1849.

7748. There are 12 in your list?—Yes.

7749. Having 2,683 members?—Yes.

7750. While your own society, the Sheffield and South Yorkshire, has 1,142 members?—That is so.

7751. The number of shares, I see, is 12,552, of which 5,650 are investing shares, and 6,872 are borrowing shares?—Yes.

7752. I see that in seven of the societies the amount of each share is 120*l.* or 100*l.*, that is to say, that in three societies it is 120*l.*, and in four it is 100*l.*, but you have not given the amount in the other societies?—No; that information was not furnished in the returns, but my impression, without speaking positively, is, that in all those cases where the amount is not stated, it is in fact 100*l.*

7753. In any of those cases are the shares paid-up shares?—They are in the South Yorkshire Society. I am not able to speak from actual knowledge of the other societies. When I speak of paid-up shares, I am separating those from paid-up shares, so called, which are actually deposit shares, moneys at interest,

but by paid-up shares I mean shares which are paid up at once for the whole period over which they are to run.

7754. Taking your own society, the Sheffield and South Yorkshire, how many out of its 3,415 shares are paid-up shares of that description?—About 200.

7755. As there are also deposit shares, what was the object of having paid-up shares at that time?—It was simply to accommodate the investors themselves; they preferred to invest their money in that way, practically locking it up, say for 10 years, receiving no interest in the meantime, but allowing the interest and bonus to accumulate, because the rate of interest which the society has hitherto paid upon its investing shares is more than 5 per cent.

7756. What is the interest on the deposits?—The average rate is  $4\frac{1}{2}$  this up to last December; it will all be reduced to 4 per cent. next month.

7757. Are you authorised by your rules to receive paid-up shares of the nature which you describe?—Yes; the third rule, at page 6, is "that each share shall be of the ultimate value of 100*l.*, or of such other amount, and realisable in such period of years, and in consideration of such single or other payments as the directors may in each particular case deem fit."

7758. In the closing paragraph of that rule, you refer to subscriptions paid in advance and the discount which will be allowed upon them?—Yes; the principle of the discount is the present value, discounted at 5 per cent.

7759. Is the existence of such paid-up shares in accordance with the Building Societies' Act?—That question I am not quite able to answer; my impression is that it is not, but so long as it has been certified by Mr. Tidd Pratt we have acted under it.

7760. Referring to the first section of the Act of the 6th and 7th William the Fourth, chapter 32, it uses the words "shares not exceeding the value of 150*l.*" for each share, such subscriptions not to exceed "in the whole 20*s.* per month for each share?"—Yes; and that is a regulation which, I have no doubt, to a very large extent is practically ignored by building societies; indeed if you have shares for shorter terms you must either reduce the nominal amount of the shares, or you must go beyond the 20*s.* In our case, for five years we charge 30*s.*, which is just the same thing as taking two 50*l.* shares at 15*s.* each; the sum for six years is 1*l.* 4*s.* 6*d.*, and for seven years, 1*l.* 0*s.* 6*d.* a month. You obviate that by having 50*l.* shares instead of 100*l.* shares; Mr. Tidd Pratt did not object to certify rules making the amounts 30*s.* and 1*l.* 4*s.* 6*d.*, and 1*l.* 0*s.* 6*d.* on 100*l.* shares.

7761. To proceed with the list, I see that in these permanent societies the amount owing is 119,021*l.* on investing shares, 149,361*l.* on deposits, and the amount owing by borrowers is 292,820*l.*, making the total amount which they have advanced since their formation 561,988*l.*?—Yes.

7762. Among these permanent societies, there are three which appear to take no deposits,—how do you account for that?—The first is the Sheffield Mutual. That, you will observe, is a very small society, having only 52 members, with only 4,392*l.* owing on investing shares, and the amount owing by borrowers is only 4,150*l.*, and during the 12 years of its existence it has not lent out more than 10,526*l.*; it is a society which is very small indeed in its operations.

7763. Are you aware whether the class of members of that society is different from that of the larger societies?—I believe that it is; they belong more to the working classes. That is a society which has had a very quiet existence; it has been very honourable in all its transactions, but it has been remarkably quiet since its formation.

7764. Looking to the small figures with which it deals, I presume that its advances would be small in amount?—Yes.

7765. And therefore probably much more after the original fashion of building societies?—That is quite my impression.

7766. I see that the other two societies which have no deposits, namely the "Alliance" Permanent

Benefit and the "Industrial," are also small in their operations?—They are; but still they are larger than the "Mutual."

7767. Are they societies of the same description?—I should not quite like to say that; I have not any intimate knowledge of their character, not so much as I have of the "Mutual." In the case of the "Sheffield and North Derbyshire Society," where the amount of money due to investors is only 1,680*l.* and the deposits are 25,611*l.*, I know the circumstances under which that has occurred; it has been chiefly owing to the influence of the solicitors in borrowing money for them; but they have been in considerable difficulty, resulting from that somewhat anomalous state of things.

7768. The element of investing shareholders is almost entirely wanting in that society, is it not?—Yes.

7769. I see that there are only 58 investing shares?—Just so.

7770. The "Sheffield Permanent Benefit Society" appears to be much in the same position; they have 2,758*l.* owing on investing shares and 35,516*l.* owing on deposits?—Yes, that is very much in the same way, and in that case the same secretary, Mr. Armstead, is secretary of the Norfolk building societies (the terminating societies), and it is exceedingly probable that a transfer of deposits from the expiring Norfolk societies has been made to the Sheffield Permanent society.

7771. Would the directors of those societies be the same persons?—No, they are not the same.

7772. Then does the secretary on his own responsibility transfer the money in this way from one society to another?—No, it would have to be with the consent of the lenders.

7773. You mean that his position enables him to obtain loans, and that with the consent of the lenders he places the money in which society he thinks best?—Quite so; he places it in the society which probably has the greatest necessity for it.

7774. But it is not the case that one of these societies places its money in another?—Not as such, I believe.

7775. The terminating Norfolk societies would not receive money on deposit, and then lend it to the Sheffield and North Derbyshire, or to the Sheffield Permanent society, to be invested on their mortgages?—I am not aware of any such practice as that.

7776. Are there any land societies in Sheffield?—Yes.

7777. Have any of them any connexion with the building societies?—Not that I am aware of.

7778. Is any land society in Sheffield registered as a building society?—I think so. You must kindly allow me to speak with reserve, because I do not know positively that it is so. My impression is, that one society which I have in my mind, which was established a good many years ago, is called a building society, although its operations are strictly confined to land, and it is in the nature of a political society for the purpose of enabling parties to become freeholders, and consequently increasing the number of voters.

7779. Is that society among the list of those which you have given in?—It is not.

7780. Do any of the societies contained in this list lend their money in any way to land societies?—I am not aware of their having done so at all.

7781. And you are not aware of any transactions of that nature taking place between a land society and a building society?—I am not.

7782. Referring to your own society, the Sheffield and South Yorkshire, what is your system of making advances?—We have an application signed by the person desiring the advance, describing the nature of the security which he proposes to give, the rental of the property, the amount which he wants to borrow upon it, and any other information relating to the land, whether it is leasehold or freehold, which may be necessary to enable the directors to judge of it, and then a professional valuer inspects the property, and reports upon it to the society; the subject is then brought before the directors, and considered by them,

Mr. A. Allott.

6 June 1871.



Mr. A. Allott.

6 June 1871.

and the application is acceded to or declined, according to the merits of the case.

7783. Do you advance on leasehold as well as on freehold?—Yes.

7784. Who is the professional valuer of whom you have spoken? Is he an officer of the society?—Yes; he is described in the rules as the surveyor.

7785. Is there a fixed scale of charges for him?—Yes.

7786. What is it?—It is in rule 25:—"That the surveyor of this society shall be allowed, for every valuation and survey of property within three miles of the parish church of Sheffield, the sum of 10s. 6d., and if the distance exceed three miles, and in all cases where the surveyors are required to supervise the erection of any buildings on behalf of the society, the remuneration shall be specially agreed upon by themselves and the board.

7787. I suppose that that sum is paid by the borrowing member?—Yes.

7788. Supposing an advance to be granted, is there any premium to be paid?—A commission of 3 per cent. is charged upon all loans which are made by the society.

7789. In what sums are the advances repaid?—According to the table on page 6, in rule 4: "Repayment of a loan of 100l. and interest," for the several terms stated there.

7790. I see that for a term of five years the repayment is 1l. 19s. 1d. per month; for seven years 1l. 9s. 4d. per month; for 10 years 1l. 2s. 2d.; for 12 years 19s. 4d.; and for 14 years 17s. 6d.—Yes.

7791. Is that per calendar month or per lunar month?—Per calendar month.

7792. Have you calculated how much of that is principal and how much is interest?—Yes; it is based upon this principle,—how much is required by equal annual instalments, extending over the number of years selected, to repay the principal with  $5\frac{1}{2}$  per cent. interest?

7793. In your  $5\frac{1}{2}$  per cent. interest, do you include the commission of 3 per cent. or not?—No.

7794. Then that is some slight addition?—That is some slight addition, and the calculation is made upon the principle of annual repayments, so that the society gets the advantage which results from monthly repayments over and above the commission.

7795. That is also a slight addition to the interest?—It is.

7796. What is the charge for a mortgage deed?—We have only recently settled a scale of charges with the solicitor, which is a sliding scale, according to the amount.

7797. Can you give that scale?—I cannot from memory. I will furnish it to you, if you desire to have it. (*See return annexed No. 2.*)

7798. Is that charge paid by the borrower?—It is.

7799. Will you be good enough to furnish it?—I will.

7800. Have you calculated what interest the borrower actually pays for his advance, including these expenses?—It depends somewhat upon the number of years which he prefers, because the commission is the same, whether the number of years be 5 or 14, or any intermediate number of years; on an average the rate is about 6 per cent.

7801. I see that there is also a small entrance fee of 2s. 6d. per share?—Yes.

7802. What is the rate of fines?—1s. in the pound per month upon advanced shares, and 6d. per share per month upon investing shares.

7803. Would that fairly represent the ordinary rate of fine in the Sheffield societies?—I think that it would.

7804. Have you calculated what the per-centage per annum is?—It is 60 per cent. per annum.

7805. Do you consider that it is necessary to have so high a rate as that?—I doubt very much the necessity for it, but it has a very salutary effect in preventing the incurring of fines.

7806. I see in your last year's balance sheet the sum of 163l. 13s. 1d. entered as fines?—Yes, which is not a very large amount upon the transactions.

7807. You stated in the early part of your evidence various large sums which have been lent in separate advances,—were any of these sums lent by your own society?—Yes.

7808. Then I may take that answer as applying to your society?—Yes.

7809. Are there many of the artisan class among the advanced members of your society?—There are a good many. I am not able to tell you the precise number.

7810. Would advances be made to them upon one house, or more, as a rule?—I can hardly say that there is a rule which would apply. A good many artisans have taken bits of freehold land from land societies, and they have subsequently built their own houses, or built other houses upon them, and we have lent them money to build those houses. In many instances they find that if there is land enough, it is cheaper to build two or more houses than one.

7811. What would be your advance for a single house of that description, taking a house which an artisan would ordinarily build?—He would probably spend 100l. upon it, exclusive of the land, if he was the owner of the freehold, and in that case we should lend him perhaps 75l. upon it, including the value of the land.

7812. Have you made many advances of that amount?—We have.

7813. I see that you have in your balance sheet a "management and contingent fund," consisting of commission, fines, entrance fees, and other items of that description?—Yes.

7814. What is the first item—"amount deducted from interest account, as per Rule 11, 360l. 17s. 6d."?—That is the amount described in Rule 11, on page 14: "All fines, fees, and commissions whatsoever, mentioned in these rules, shall be passed to a management and contingent fund, and so also a deduction at the rate of 5l. per cent. per annum from the amount of income derived from the repayment of advanced shares." That is, 5 per cent. upon the amount of the interest which is included in the repayments by borrowing members, made during the year.

7815. 5 per cent. from [the whole repayments?—5 per cent. upon the interest, not upon the whole repayments.

7816. You carefully separate the interest from the repayment of capital?—Yes. In the balance sheet the "repayment of loans upon advanced shares" is 31,465l. 17s. 1d., "less proportion due as interest," 7,217l. 9s. 3d.; and it is upon the 7,217l. 9s. 3d. that the 5 per cent. is taken, as you will observe, 360l. 17s. 6d.

7817. In the debtor account of that management and contingent fund, I see the item of "secretary's salary, as per Rule 22, 568l. 10s. 0d."?—Yes.

7818. Looking at Rule 22, I see that the salary of the secretary is to be at the rate of 3s. per share per annum on all shares?—Yes.

7819. Does that refer to shares of every description?—It has never been applied to other than investing and borrowing shares. It has never been applied to shares which have been so called, but which are otherwise really deposits.

7820. There is an item of "banker's commission, 160l. 17s. 0d." What is that?—That is upon the turnover of the society at the bank. It is a quarter per cent. commission upon the whole of the debit transactions for the year. Of course the account which you have before you does not represent all the receipts and payments. The amount of money which is received on deposit and paid off on deposit is not shown there, but the difference is shown, namely more deposits paid off than received, or more received than paid off, as the case may be.

7821. The Sheffield and Hallamshire Banking Company appear to owe you 2,050l. at present?—Yes.

7822. How is that?—It is the balance of the banking account, which happened to be at that time in credit.

7823. On the current account?—Yes.

7824. Under the head of "paid-up shares," I see

that you have three classes of shares, some at 78*l.* each, some at 86*l.* 2*s.* each, and some at 90*l.* each?—Yes.

7825. Will you explain that?—That arises from the different periods which were selected by the investors over which they would spread their payments. The 78*l.* is the 10 years' amount, the 86*l.* 2*s.* is the seven years' amount, and the 90*l.* is the five years' amount.

7826. Then follows the interest upon each, which is allowed to accumulate to the credit of the shareholder?—That is the amount to which they are entitled, being an accumulation at the rate of 5 per cent. compound interest upon the amounts which they have paid. For instance, if you take the first term of 10 years, the monthly payment is 13*s.*, which amounts to 7*l.* 16*s.* in the year; that in 10 years amounts to 78*l.*; and the compound interest at 5 per cent. is 22*l.*, making the 100*l.* which the society pays at the end of 10 years.

7827. That is not paid until the shares are paid up?—No.

7828. Then follows a bonus of 18*l.* upon the 10 years' shares, and less respectively of course upon the others?—Yes.

7829. Is that allowed to accumulate?—No, that is actually paid at the end of the term for the existence of the share; you have there all the payments which were actually made for that year.

7830. What do you mean by "the term for the existence of the share"?—Ten years, or seven years, or five years, as the case may be.

7831. Then that amount is paid when the share is paid up?—Yes.

7832. And not before?—No.

7833. What is meant by the statement in your report that "the present bonus is declared to be payable for the next three years, *i. e.*, until the next "triennial valuation"?—It means that it is to be paid upon all shares which will mature in the next three years.

7834. And not upon others?—Not upon others. The rules provide that no bonus is payable except upon matured shares, so that if a member withdraws before the share is fully matured, he loses the benefit of the bonus.

7835. Have you a reserve fund?—Yes.

7836. To what does it amount?—4,653*l.* 19*s.* 0*d.*, that is after providing for the bonus upon every existing share on the 31st of December last; not that it is all paid, but it provides for the bonus upon every share in proportion to the time for which it has existed.

7837. (*Mr. Richards.*) Where does that appear in your account?—It is not in the account; it is in the report. It states that "the remaining surplus, after providing 5 per cent. compound interest on all investing shares as above, and also a sum considered sufficient to cover any loss from doubtful balances, is 9,427*l.* 19*s.* 0*d.*, out of which the directors propose to provide for the payment of a bonus equal to 18*l.* on all 10 years' shares, and a proportionate amount on all shares of shorter terms. This will require 4,774*l.*, and will leave a balance of 4,653*l.* 19*s.* 0*d.* to be carried forward as reserve."

7838. (*Sir M. E. Hicks-Beach.*) Referring to your deposit shares, what is their amount?—57,000*l.*

7839. What is the amount per share?—It varies; we call each deposit a share.

7840. Then it is practically no share at all, but simply a deposit?—It is simply a deposit. This is the form which we use: "This is to certify that [ ] of [ ] has this day paid to the trustees of the above society the sum of [ ] pounds, as the consideration or single payment in full, without discount, for one share therein, on the understanding that he shall receive (in lieu of all other profits from the society), interest thereon, half-yearly, at the rate of [ ] per cent. per annum, with power to withdraw the said sum in full at the end of one year from this date, or earlier, upon giving [ ] months notice." That is signed by two directors, and the secretary. That was

the mode of getting over the difficulty which Mr. Scratchley suggested, and which has been adopted by other societies as well as our own.

7841. You receive large sums in separate deposits, do you not?—Yes, we have had as much as 5,000*l.* and 10,000*l.* in separate deposits.

7842. In your last report, I see a reference to the sum of 9,511*l.* 16*s.* 7*d.* which has been withdrawn?—Yes.

7843. What is the security upon which these deposits are given?—The depositors have nothing but that note.

7844. Has the society borrowing powers?—There are no borrowing powers, except what I have described to you in the rules, and what the rules provide.

7845. In what rule do your borrowing powers appear?—That is the construction which is intended to be implied by the third rule: "that each share shall be of the ultimate value of 100*l.*, or of such other amount, and realisable in such period of years, and in consideration of such single or other payments as the directors may in each particular case deem fit."

7846. I thought that you referred to that rule in connexion with the paid-up shares?—So I do, but according to Mr. Scratchley's instructions, it was supposed to cover both; that rule was altered by him.

7847. Although there is no fixed value belonging to any one of these deposits?—No.

7848. Would the deposit of 9,511*l.* be considered as one share?—Yes, if it was given in one deposit; the party might have it in three or four deposits, but I am not sure that it was so.

7849. (*Mr. Richards.*) If I came in and gave you 12,000*l.* in one sum, what would you give me?—One of those bits of paper.

7850. If I gave you 12*l.* what would you give me?—The same.

7851. (*Sir M. E. Hicks-Beach.*) Is that any tangible security for those depositors?—It is only a security upon the assets of the society, and I believe that the directors who sign it are responsible.

7852. Nothing with regard to borrowing or depositing is mentioned in the first rule which states your objects?—No, but the estimation in which the society is held is such that it can have almost any amount of money which it requires upon deposit.

7853. Do your bankers lend you money?—Yes, if we require it.

7854. Upon that security?—No, upon an open banking account.

7855. They allow you to overdraw in fact?—They allow us to overdraw. It is to my mind exceedingly desirable that the question of deposits in building societies should be put upon a much more satisfactory footing than it is on at present.

7856. In what way do you suggest that it should be done?—I think that it should be legalised in some way. I see that Mr. Stephenson has very recently certified the rules of a building society in Sheffield, the Fifth Norfolk Benefit Building Society, in which the rule says: "The directors shall have power, whenever it may be necessary for the purposes of the society, to borrow and take up at interest, at a rate not exceeding 5*l.* per centum per annum, any sum or sums of money from any banker with whom the funds of this society may be deposited, or from any member or other person, to procure which the directors may sign and issue to the lender such form of security as may be agreed upon between them and the party lending the money, and such moneys to be so borrowed shall be a first charge upon the funds of the society, and the directors borrowing such moneys shall be indemnified in respect thereof by the society. Provided that the total amount borrowed under this rule shall not at any time exceed two-thirds of the amount for the time being secured by mortgage to the society."

7857. Do you agree with that view?—I agree with it, excepting in this particular, that I think it should be either two-thirds, or any other proportion of the amount for the time being of the *assets* of the society, because it might happen sometimes that a very

*Mr. A. Allott.*

6 June 1871.



Mr. A. Allott.

6 June 1871.

large loan (in case of large loans) might be suddenly paid off, and that money would lie in the bank, and it would be very difficult to have to reduce the deposits so as to bring the amount within two-thirds of the mortgages; but if the money is in the bank as an asset, it is just as secure, as far as the members and the depositors are concerned, as if it was lent on mortgage.

7858. Your society has lately reduced its rate of interest to depositors?—Yes.

7859. Is that because it found no investment for the money?—It was partly because the applications for loans were not so numerous at the latter part of last year as they had been before, and partly because the directors found that money came in very freely at 4 per cent., so that they could probably effect a reduction of the whole of their deposits to the same rate.

7860. In one of the paragraphs of your report it is stated: "In the somewhat extended working of the 'society the directors have had frequent opportunities of safe and desirable loans, but the rules have so 'restricted their operations that they have not been 'able to avail themselves of these opportunities.'" To what does that refer?—It refers to applications for loans upon securities which the directors could not entertain, although perfectly safe in themselves, and they are seeking to alter the rules so as to enable them to deal with securities which have hitherto been denied them. For instance, an application was made for the advance of a considerable sum of money upon the debentures of a company, together with certain personal security; the position of the company and the responsibility of the individuals were unquestionable, and it was a loan which the directors would have been very glad to have made, but it was a loan which was not contemplated by the Building Societies' Act, or by the rules, and therefore they were obliged to decline it.

7861. Do you not think that might be a very dangerous class of business to undertake?—There is no doubt that it might be dangerous, as all business is dangerous if not properly managed.

7862. Do you not think that the power to take such a class of business as that would open the door to business of very considerable danger to the society?—I cannot say that it would not, but I should say that under judicious management it would also open the door to very profitable transactions. For instance, we have had offered to us the debentures of railway companies as security for loans, not to the full amount of the debentures; say that a man has debentures in the Midland Railway, he does not want to realise them, or the term which they have to run may be some three, or four, or five years off, and he has asked us to lend him money upon these debentures, but we cannot do it.

7863. But such business would be travelling further than ever from the original idea of the Building Societies' Act?—There is no doubt of it.

7864. What is the view in Sheffield as to the exemption from stamp duty enjoyed by building societies?—I do not think that there is any very strong opinion upon it.

7865. Has it ever struck any persons there that that exemption was made at a time when the stamp duties were very much larger than they are at present, and was intended for the benefit, not of persons building large mills or warehouses, but of the artisan class?—There is no doubt about it. That, I think, is the general impression in the mind of any person who knows anything about it, namely, that that was the original object for which the exemption was made.

7866. Would there be any serious objection in Sheffield to the repeal of that exemption?—I think that there would be objection to it, because it is now brought within such limits as practically only to serve the persons whom it was first intended to serve; all mortgages over 500l. have to pay stamp duty.

7867. May not that be evaded by several sums being advanced to one person?—It may be. I do not think that it is evaded to any extent.

7868. (Sir S. H. Waterlow.) With reference to the commission of 3 per cent. on loans, do you make any difference when the sum advanced is a very large one?—No.

7869. Do you charge that commission on a sum of 10,000l. and upwards which you have advanced?—Yes. We should not think it fair to our investing members, or to our other borrowing members, to make any difference, because if there are a number of small loans amounting to the same sum as one large loan, the trouble to the society is very much the same in the one case as in the other, and therefore no difference whatever is made.

7870. Has the tendency to advance large sums increased during the last few years in your society?—It has.

7871. And also to receive large sums on deposit?—Yes.

7872. Then does it not appear to you that the society is becoming more of a banking company than a building society?—There is no doubt that it does partake of that character to a considerable extent, and as its operations increase, it strikes me that it will become more and more so.

7873. Do you see any particular advantages in that to the working classes, whom the Building Societies' Act was intended to benefit?—Yes; it enables them to employ their money to better advantage, and to get a larger rate of profit upon its investment.

7874. Is that materially so, looking to the fact that you have reduced your rate of interest to 4 per cent.?—A person who lends money on deposit has the option of taking shares in the society instead of depositing his money at 4 per cent.; he gets a higher rate on his deposit at 4 per cent. than he does in the savings bank, and if he chooses to take shares he gets a still higher interest.

7875. If he deposits money on shares, is he not restricted from withdrawing it except at a long period?—Yes, if he deposits it in the shape of shares, but on an ordinary deposit he can practically withdraw it whenever he wants it; practically we never enforce the notice.

7876. What is the notice which is required by the rule?—From one month to three months, but I do not know an instance in which, if a depositor has come and said that it would be a convenience to him to have his money to-morrow, or to-day, he has not received it.

7877. From your experience, do you think that it would be a safe rule throughout the country to encourage societies to take money which they are responsible to return at three months, and to lend it for terms varying from 5 to 10 years?—If I may judge from my own experience it would be so; we have never found any difficulty whatever in the matter.

7878. You just now, I think, told us that you thought that the society was drifting into more of a banking company than of a building society. Do you not know that banking companies have come to grief by such a course of proceeding as lending their money on permanent investments?—Yes, I know that.

7879. Then if your society became a banking society, or if their operations became of that nature, is it not likely that they might come into the same trouble?—If any serious calamity happened by which the whole of the deposits were simultaneously withdrawn, then the society would probably come to grief, but in such a case as that they would, as bankers do upon their deposits, require that the notice should be given.

7880. But as the limit of the notice is three months, and as the money is invested for terms of from five to ten years, would it not involve you in difficulty if there was a panic arising from a strike, or if there were other difficulties which necessitated the return of the money to the working classes who had invested it?—In our case, the income of the society by the monthly payments is something over 3,000l. per month, and if such a calamity as that happened in our experience, with the assistance of our bankers, and that monthly money, I do not think that we should have any difficulty in meeting that contingency.

7881. You must look at the fact, that in case of a monetary pressure, your bankers must have regard to all classes of their customers, and would moreover have

the same difficulty as yourselves?—We have passed through several periods of panic in the history of that society, and we have never been put into any difficulty whatever. Very much depends upon the integrity and ability with which societies of that description are managed, so as to engender confidence or distrust in the public mind.

7882. Still after all, it is purely a question of credit, because your obligations, as shown by this balance sheet, are 57,426*l.* on paid-up share deposits, which might be called for within three months?—Yes.

7883. Whereas your total collection for the three months would only be 9,000*l.*?—9,000*l.* or 10,000*l.* If such an event as that happened, that we had to pay the 57,000*l.*, we have assets representing 130,000*l.* odd, and it would be a very extraordinary state of things indeed, if we could not get any help upon that amount of assets.

7884. Those assets are what are ordinarily recognised by bankers as unconvertible assets?—That is quite true, but any advance which the bankers made upon those securities would be repaid at the rate of 3,000*l.* per month; it would not be a permanent advance by the bankers.

7885. Do you not recognise the fact that you are doing a banking business upon principles which bankers, looking to the experience of the last 25 years, have repudiated as unsafe?—I have been a banker myself for 14 years, and I know something of the practice of banking, in Sheffield at all events, and I certainly must confess that I have no apprehension of any calamity such as that occurring in connexion with the operations of our society, if they be conducted as they have been hitherto, with an amount of prudence, and care, and foresight which, I think, frees them from such a contingency.

7886. You say that your fines are 1*s.* in the pound per month; how long would you allow those fines to accumulate before you foreclosed or realised your security?—The rules prescribe that if a person makes default for four months he shall have two months further notice given to him, and that if the arrears and fines are not paid within that time, the property shall be taken possession of and realised.

7887. (*Mr. Richards.*) It is obligatory upon you to realise the property in default?—We have the power to realise, and if no arrangement were made by which the money and fines would be paid, we should realise it.

7888. (*Sir S. H. Waterlow.*) Have you frequently had to realise property?—No, very seldom indeed; I think I may say that the whole of the losses which have occurred to the South Yorkshire Society for the 21 years that I have been connected with it, and the 22 years that it has been in existence, are considerably less than 500*l.*

7889. (*Mr. Richards.*) I understand you to desire that the power of receiving loans should be legalised in any future legislation?—Yes.

7890. And that the extent of the borrowing power should be about two-thirds of the value of the property secured?—My impression is that practically that would answer all purposes. The figures which I have given to you of the building societies in Sheffield represent that, both in the permanent and in the terminating societies, the proportion in existence of deposits to mortgages is considerably less than two-thirds.

7891. But up to this time the powers have been very much questioned?—They have.

7892. And if the powers were legalised, might it not happen that you would receive a very large sum upon deposit repayable in three months, and that your loans might run over 10 years?—Yes, that is quite possible.

7893. And the contingency which Sir Sydney Waterlow ventured to shadow forth might happen?—It might happen. I quite grant that such a contingency as that *might* occur.

7894. Do you think, judging from your experience, that those powers which are asked for would be safe for the Legislature to grant, allowing loans to be re-

ceived to two-thirds of the value of the property secured?—Judging from my own experience it would be perfectly safe, for ever since the South Yorkshire Society has received deposits, the amount which it has received has increased year by year; excepting last year, when the large amount was withdrawn to which allusion has been made.

7895. But your society has been conducted with great prudence and care?—I think that it has been, so far.

7896. A society might be conducted within the exact letter of the rules, and yet come to grief from receiving a very large sum of money by way of loan?—That is quite possible, and a case has occurred, in one of the societies which is mentioned on the list of societies which I have given to you, where the disproportion between the amount of the investing shares and the amount of the deposits is so large, that when deposits have been called in they have been put to inconvenience; but there are parties quite ready to take all their securities and to give them the money, if they choose to have it.

7897. Referring to the question of loans upon the security of debentures, in your experience I presume you are aware of some railways having been made by contractors?—Yes.

7898. The contractor being virtually the company?—Yes.

7899. And of their issuing a larger amount of money by way of debenture than the value of the whole railway itself?—Yes. That is a sort of debenture which I should very carefully eschew.

7900. Then it would all come to the question of the prudence with which advances were made?—No doubt it would.

7901. Having regard to the facility with which money can be obtained upon the debenture security of a *bonâ fide* railway company, do you think that power to conduct business of that sort could in any way be brought within the province of building societies?—I do not think that it could be brought within the purview of building societies strictly so called, and under the name of building societies; but if any extension of power was granted to meet transactions of that kind, it seems to me that building societies would have to assume another name, because they would practically become financial societies.

7902. Would they not be joint stock companies?—In one sense they would be joint stock companies; they are so in point of fact now.

7903. Is there any reason why future legislation should not point in that direction?—I do not see any objection to it at all; my impression is that if future legislation did point in that direction, it would probably enable the employment of small sums of money belonging to working men with considerable advantage, under prudent and careful management.

7904. Has not the result been up to this time that what was contemplated by the Legislature, in giving the facilities with respect to the remission of stamp duties and other conveniences to building societies, has ceased to be of assistance to the class which the Legislature desired to benefit, and that these societies have become the means of receiving money on deposit?—That is very largely so; the character of building societies has for the most part changed from the original intention.

7905. And the benefits principally revert to the investing shareholders?—That is so.

7906. The borrowers, in the majority of cases, paying considerably more than 5 per cent. interest for the money borrowed?—In the case of terminating societies, the principle is that all the benefit shall be mutual; the principle is that the investing shares and the borrowing shares shall run out simultaneously, and if the profits of the society enable the term to be shortened, the borrower gets the benefit as well as the investor; but in permanent societies it is different.

7907. And the result is that permanent societies are formed for the benefit of investing members?—The investing members guarantee the borrowing members, but the society is worked for their benefit.

7908. Can you tell us, including the bonuses, what

*Mr. A. Allott.*

6 June 1871.



Mr. A. Allott.  
6 June 1871.

rate of interest in the aggregate your investing members receive?—The rate of interest in the South Yorkshire Society has been from 8 to  $8\frac{1}{2}$  per cent. compound interest, ever since the end of the first 10 years.

7909. What would be the rate of interest paid by the borrowers?—In the early history of the South Yorkshire society the rate charged was 7 per cent. It was afterwards reduced to 6 per cent, and subsequently reduced to its present rate of  $5\frac{1}{2}$  per cent., so that if you reckon  $\frac{3}{4}$  per cent., or something like that, as the average amount which the society gets beyond that rate for the commission, and the advantage of monthly payments, it would be  $7\frac{3}{4}$ ,  $6\frac{3}{4}$ , and  $6\frac{1}{4}$ .

7910. Including the cost of survey, and the charges for the conduct of the society, all of which must come out of the borrower in one form or another, what do you think would be the aggregate of interest paid by him?—From 6 to  $6\frac{1}{2}$  per cent. in our society. But you will excuse my suggesting that you may possibly be in error in supposing that the whole of the profits come out of the borrower. I may perhaps be permitted to say that investing members also contribute to the profits of the society. There are always a number of members withdrawing from a large society, and they leave in the society the bonus which has accumulated upon the amount which they have paid in, and that is more or less, according to the number of years that they have been members. The society pays no portion of the bonus which would accrue for the time that the share has been in existence, and that is left as a residuum of profit; and, further, the entrance fees and fines, which are payable alike by investors and borrowers, go towards the expenses of the management of the society. There has always been, in the case of the South Yorkshire society, a very considerable profit upon the management and contingent fund, and it does not all come out of the pockets of the borrowers. I think I am correct in saying that, as far as the borrowers are concerned, they do not pay more than a fair amount of interest for the accommodation which they receive, with the privilege of paying the money back monthly.

7911. In making large loans, do you supplement the security by any collateral personal security?—Sometimes.

7912. What is the shortest leasehold term upon which you make loans?—I cannot say that there is any rule in respect of that, but the term of the leasehold must be considerably beyond the term over which the repayment of the loan is to extend.

7913. That is a question, I apprehend, which is considered by the directors when the form of application is before them for consideration?—Quite so.

7914. And they then decide whether it is necessary to have collateral security beyond the leasehold or freehold security which is offered to them?—Quite so.

7915. With respect to your loans on deposit—if I had deposited 500*l.* with you, and went to your office this morning, and required repayment, who would sign the cheque for that amount, or how should I obtain it?—All the cheques are signed by two of the directors and the secretary.

7916. Do they attend daily?—No, but if a cheque is required, it is first signed by the secretary, and usually upon their faith in him the directors would sign the cheque.

7917. Do you mean to say that a depositor would come to the office, and that the secretary would sign the cheque, and that it would be necessary for the depositor then to obtain the signatures of the two directors?—No, the signatures of the directors are obtained by the secretary. As far as possible, those things are done at the monthly meetings, but there are cases where it is necessary to wait upon two directors personally to obtain their signatures, and an explanation is always given as to what the cheque is for, and the nature of the transaction.

7918. Are the receipts for deposits signed in blank by the directors, in any of the societies in Sheffield with which you are acquainted?—I am not aware of any; it has never occurred in connexion with our society.

7919. (*Mr. Bonham-Carter.*) You have remarked, in answer to one of the questions put to you, that all business is dangerous more or less, and you have also said that certain things can be done under prudent and careful management?—Yes.

7920. And also that the present extension of building societies is in the nature of banking. Do you think that it is necessary to put any restrictions upon this extension, in view of the original intention of building societies?—I think that it is. When I said that all business transactions are dangerous, I meant that all business transactions depend to a certain extent upon the measure of confidence existing between the parties transacting business, and you are exposed to risks in all descriptions of business. It was a mere theoretical expression, which I dare say, philosophically speaking, is in the abstract correct.

7921. Would you class under the head of business, advancing money on mortgage?—It is certainly a business transaction.

7922. Advancing money on mortgage of real property, where there is something patent and tangible, is not the same class of business as advancing money on the debentures of a railway, is it?—No, but in some cases it may be safer to advance money upon the debentures of a railway than on mortgage of real estate.

7923. Looking at the original limitation of the Act, that the advance was to be on the security of freehold or leasehold property, do you not think that the original view of it, as in some degree encouraging a special sort of investment in the working classes, is entirely departed from by acknowledging and recognising the different class of business which has grown up of late years?—Yes; I think that the nature of the business which has been transacted by many building societies, is a departure from the original intention, and from the spirit under which certain privileges and advantages were conferred upon building and friendly societies.

7924. Would you ignore the apparent original intention of the Legislature, in consequence of the immense development which has arisen from the powers conferred by the Act, and would you recognise the new class of society which has grown up of late years, and legislate especially for it?—My present impression is, that I would rather legislate specially for it, because I think that the original business which was contemplated and fostered by the Legislature with regard to building societies pure and simple, is one which ought still to be encouraged as much as ever; but the development which building societies have made in other respects might fairly be the subject of special legislation.

7925. Then would you draw a line, and leave the original class of society under the original Act, or some modification of it, and either separate the financial business under an Act for itself, or hand it over to the Joint Stock Companies' Act in some way?—My impression is, that building societies pure and simple, and any society which contemplated the kind of business which has grown into building societies, would be better separated; or if they were not separated, that some supervision should be exercised by periodical returns, say to the Board of Trade, or to any department which might be entrusted with it, so as to keep a proper and adequate control over the operations of such societies; as for instance, in the case of banks. Joint stock banks and private banks with a circulation of notes have to send regular returns of their circulation, so that they shall not exceed the limit.

7926. Would you in anyway recognise by legislation the original building society, which was for the investment of small amounts to enable artisans to purchase their own houses, or make small investments upon freehold security; would you recognise that as still to be encouraged and fostered, and would you detach the large class of business under some special legislation?—I am scarcely prepared to say what I would advise should be done in that respect; but if they were not to be treated as separate associations or societies, they should be so distinctly divided into departments as that the one should be clearly traced, and should be distinct in the statement of accounts from the other,

Mr. A. Allott.

6 June 1871.

7927. Do you think, looking to the principle of the State exercising ostensibly some care over the smaller investments, that the State ought to maintain that class of investments, and that the larger societies should be dealt with more on commercial principles, and be left still to the management of the directors and members, as being competent to take care of themselves?—That is my impression generally. I believe that the freer commercial interests are, the better practically they are, but that it is wise to a certain extent to require such returns as will, so far as it is possible, prevent fraud being continuously carried on.

7928. Are not all these returns in the nature of Government substituting some action of its own for what might otherwise be the natural action of the directors and shareholders?—Undoubtedly it is so, but the action of the Government in that respect should be, and I take it would practically be, consensual with the action of the members themselves through their own officers.

7929. It has been suggested that the mode of carrying out the Government supervision should be by a registrar in London, and by local subordinates, either accountants or others, whose duty it should be to carry out investigations strictly in detail if necessary; and in fact to act in some degree like public prosecutors. If that were carried out to the full, it would involve a considerable outlay. Do you think that any charge should be made upon the societies in respect of that machinery, or that it would legitimately devolve altogether upon the Government?—It is the first time that I have had that question put to me, and I should hardly like to commit myself to an answer.

7930. If you have investigation, you must have investigators, and they, to investigate carefully, must be numerous and local?—Yes; my impression is that the more independent an investigator is the better. If he has to be paid by the society, whose affairs he investigates, it possibly raises very much more objection and difficulty than if he is paid altogether independently of them.

7931. Do you think that the public benefit of societies of this extended nature is such, as to justify the outlay by the country of the amount necessary for the machinery of investigation?—My first impression in regard to that subject is that it would be desirable to do that.

7932. And that would be in fact, a boon to these societies, in addition to the exemptions which they already have?—Of course it would; but may I ask whether your question relates to a periodical investigation of all these societies, whether any complaint is presented or not?

7933. It was suggested by one of the witnesses, that the registrar in London should be the central authority to whom all returns should be made, and who should be the recipient in the first instance of complaints, and that if doubts arose before the annual return, it might be necessary to appeal to some authority, which authority the registrar would be, and that then he might direct or authorise some local investigation. Of course that would be to call upon the Government to establish almost a judicial department for a particular purpose?—Then the idea is that no investigation should be made except upon the presentation of a complaint?

7934. Or upon the appearance of some irregularity in the returns on the face of them.—Quite so; in that case, if the investigation was to proceed in that way, it is quite a question, I think, as to whether the complainants should be required to pay a certain proportion of any cost which might be incurred.

7935. If such machinery were devised, and were to be more or less costly, would that in your opinion be a sufficient reason for withdrawing the exemptions from stamp duty which now exist, or do you think those exemptions so immaterial in amount, but so important in prestige, that they should be still retained?—The latter is my impression. I do not think that any privilege of that sort, the conduct of any investigation, should be regarded as a compensation for withdrawing the exemption from stamp duty.

7936. (*Sir M. E. Hicks-Beach.*) Referring to the large advances which you told us were made in certain cases, has it ever occurred in any of these societies with which you are acquainted, that there has been a disposition rather to make advances in those large sums, than in small amounts to members of the artisan class?—No, I think that the disposition has been rather to make small advances, because, as a rule, they are regarded as being subject to less risk, and for my own part, as far as my own judgment is worth anything, I should prefer 10 loans of 1,000*l.* each to one loan of 10,000*l.*, unless the circumstances were exceptionally favourable to its safety.

7937. Would it happen that the person requiring the larger advance would be prepared to pay a higher rate of interest than the person requiring the smaller advance?—That I am unable to say, because the rate of interest charged is uniform, as far as the society is concerned.

7938. But taking it to be the case, that in those societies, (I am not referring to any one in particular,) the rate of interest including everything is considerable, which class of borrowers do you think would be the more advantageous, the larger or the smaller?—If they all paid the same rate of interest, I do not see why one should be more advantageous than another so that the society employed its funds.

7939. Has it ever happened within your knowledge that a society, having employed its funds very largely in these large advances, has had no funds to lend to persons requiring small advances?—No.

7940. Is there anything which you wish to add to your evidence?—There is one subject which I should like to mention. I do not know whether it has occurred in your investigation or not, but in our society we have adopted the principle of assisting investing members by temporary loans upon the security of their investing shares. If a man, for instance, has paid up, say, upon his investing shares 100*l.*, and he comes to us and says, "I want 50*l.* and I must withdraw my shares,"—rather than compel him to withdraw his shares, and so lose the benefit which he first intended, and which has already been earned by his payments, we lend him as a temporary loan, perhaps for two or three or six months, 50*l.* or 30*l.* or 40*l.*, or whatever it may be. These amounts do not come to any large sum, but the principle is one which we have recognised. I do not think it is recognised by the law, but practically it is a help to the investors themselves, and it prevents their sacrificing profits which have accrued upon their shares.

7941. Does that appear in your balance sheet?—The amount is included in the total sum of 133,000*l.*; it does not come to any large sum.

7942. You mean under the head of borrowers' balances?—Yes.

7943. I suppose that those advances are made upon the security of the shares?—Yes. We, taking a promissory note, charge 1 per cent. commission, and 6 per cent. interest for the time the money is lent.

7944. And as I understand it, it is only lent upon paid-up shares?—No, it is lent upon current shares. If a man has taken some 10 years' shares, and has paid perhaps for three or four years, and has accumulated in the hands of the society 30*l.*, 40*l.*, 50*l.*, or 100*l.*, we will lend him something less than the amount which he has paid, and he goes on with his monthly payments to the society in respect of those shares. We assist him in that way over perhaps a temporary difficulty which may occur.

7945. Have you experienced any losses from that system?—No, we cannot do so, it is simply lending the man his own money. We charge him 6 per cent. interest for it, which is less than the actual interest which he gets, including the bonus.

7946. (*Sir S. H. Waterlow.*) Then those loans are in fact on personal security?—They are.

7947. And not on leasehold or freehold property?—No, I thought that I had mentioned that fact to you.

7948. Therefore, strictly speaking, they are not within the law as laid down in the Building Societies' Act?—No, I believe that strictly speaking they are not.

The witness withdrew.



(1.) BUILDING SOCIETIES IN SHEFFIELD.  
(referred to in answer to Question 7694, &c.)

STATISTICAL INFORMATION FOR HER MAJESTY'S COMMISSIONERS, ON FRIENDLY SOCIETIES.  
TERMINATING SOCIETIES.

Name of the Society.	Secretary.	Date of Formation.	Number of Members.	Number of Shares.	Number of Outstanding Shares.	Total.	Amount of each Share.	Amount owing on Deposits.	Amount owing on Shares.	Amount owing by Borrowers.	Total Amount advanced since Formation.
Sheffield Equitable Benefit Building Society, in 13 sections, of which three run out.	John Townsend	1854	Say 500	—	—	2,851½	£ 60	£ 28,170	£ 36,648	£ 74,946	Say 110,000
First Borough Benefit Building Society, 1865	Amos Moss	"	80	—	—	73½	120	—	5,405	7,665	7,665
Second " " " " " " " " " "	"	1858	115	—	—	149	120	—	8,046	14,220	24,225
Third " " " " " " " " " "	"	1860	215	—	—	228½	120	—	13,710	15,270	39,270
Fourth " " " " " " " " " "	"	1863	179	—	—	328	120	—	13,776	23,310	56,100
Fifth " " " " " " " " " "	"	1866	199	—	—	610½	120	—	18,307	38,025	97,740
Sixth " " " " " " " " " "	"	1869	144	—	—	Say 300	120	—	15,000	30,000	50,000
First Sheffield United Benefit Building Society, 1871	B. Freeborough	1859	—	—	—	119½	120	—	9,321	14,340	16,000
Second " " " " " " " " " "	"	1861	350	—	—	91	120	—	4,214	8,165	18,000
Third " " " " " " " " " "	"	1864	—	—	—	468½	120	—	13,657	23,177	58,000
Fourth " " " " " " " " " "	"	1868	—	—	—	368½	120	—	10,377	18,680	58,000
Fifth " " " " " " " " " "	"	1868	—	—	—	251	120	—	5,358	7,655	84,415
Sixth " " " " " " " " " "	Charles Team	1868	—	—	—	251	120	—	19,578	29,970	29,970
Seventh " " " " " " " " " "	John Amstead	1861	Say 300	—	—	225½	120	—	14,057	21,300	30,650
Eighth " " " " " " " " " "	"	1855	—	—	—	294½	120	—	10,593	20,070	30,630
Ninth " " " " " " " " " "	Edwin Parker	1860	143	—	—	391½	120	—	7,047	16,320	27,840
Tenth " " " " " " " " " "	"	1864	101	177½	374½	606½	120	—	12,969	26,000	46,785
Eleventh " " " " " " " " " "	"	1866	122	190½	417½	631	120	—	6,581	28,800	20,160
Twelfth " " " " " " " " " "	B. D. Davis	May 1868	145	177½	416½	617½	120	—	4,575	44,919	55,056
Thirteenth " " " " " " " " " "	"	March 1870	170	466½	150½	125½	120	—	7,497	19,080	28,680
Fourteenth " " " " " " " " " "	Edw. Smith	Feb. 1860	28	—	—	312	120	—	3,703	12,816	18,060
Fifteenth " " " " " " " " " "	D. T. Ingham	April 1868	54	125½	141½	267½	120	—	6,084	17,684	26,117
Sixteenth " " " " " " " " " "	"	1869	80	—	—	387	100	—	7,590	15,600	18,880
Seventeenth " " " " " " " " " "	"	1866	220	284	308½	522½	100	—	7,300	14,400	26,300
Eighteenth " " " " " " " " " "	"	1863	175	360	396	738½	60	—	9,440	17,400	38,000
Nineteenth " " " " " " " " " "	J. C. Shaw	1868	Say 500	—	—	330	100	—	3,430	25,466	32,500
Twentieth " " " " " " " " " "	John B. Roberts	1860	50	—	—	190	120	—	7,920	12,747	35,000
Twenty-first " " " " " " " " " "	Isaac Ellis	1868	100	—	—	252	120	—	3,924	10,440	20,000
Twenty-second " " " " " " " " " "	"	—	3,570	2,013½	2,366½	12,583½	—	—	288,322	754,893	1,053,518

PERMANENT SOCIETIES, June 1871.

Rock Permanent Benefit Building Society -	R. C. Horner	Oct. 1869	85	150	40	190	120	1,000	5,900	7,000	9,120
County " " " " " " " " " "	Cooper Corbridge	May 1869	103	102	107	209	100	1,477	7,621	9,321	10,677
Sheffield Mutual and Permanent " " " " " " " " " "	John Howland	April 1858	52	104½	41½	146½	100	4,392	4,150	10,526	10,526
Chantry Permanent " " " " " " " " " "	William Short	Nov. 1864	251	321½	131½	453	120	6,719	6,622	14,050	27,239
Victoria " " " " " " " " " "	S. B. Aury	Nov. 1864	107	92½	138½	224½	120	2,183	9,530	12,898	15,246
Sheffield and South Yorkshire Benefit Building Society -	A. Allott	Jan. 1849	1,142	1,553	1,862½	3,415½	100	67,095	133,115	312,475	312,475
Fitzwilliam Building Society -	S. L. Levrek	Jan. 1867	320	1,440	1,681	3,121	100	12,016	1,115	1,974	9,835
Widzallam East District Building Society -	"	July 1868	42	212	342	554	—	1,353	20	7,358	8,927
Insurance Permanent Benefit " " " " " " " " " "	C. Nodder	May 1869	108	423½	582	1,005½	—	—	—	11,358	14,172
Sheffield and North Yorkshire Permanent Benefit Building Society.	"	July 1867	225	1,093½	1,303½	2,396½	100	10,798	—	34,036	54,600
Sheffield Permanent Benefit Building Society -	J. Amstead	Aug. 1863	Say 150 { 100½, 498½ } 50½, 74½	50½, 74½	50½, 129½	655½	—	2,758	35,516	41,391	77,695
Permanent Terminating	Permanent Terminating	-	2,683	5,650½	6,872½	12,522½	—	119,021	149,361	292,820	561,988
		-	3,570	2,013½	2,266½	12,583½	—	288,322	754,893	1,053,518	1,053,518

(2.)

SHEFFIELD AND SOUTH YORKSHIRE BENEFIT  
BUILDING AND INVESTMENT SOCIETY

(referred to in answer to Question 7697).

Scale of legal charges for mortgages, including stamps,  
parchment, registration, and usual payments :—

	£	s.	d.
Not exceeding £100	-	-	3 15 0
£101 and not exceeding 150	-	-	4 0 0
151 „ 200	-	-	4 5 0
201 „ 250	-	-	4 10 0
251 „ 300	-	-	4 15 0
301 „ 400	-	-	5 5 0

	£	s.	d.
£401 and not exceeding £499	-	-	5 15 0
500	-	-	6 10 0
501 „ 600	-	-	7 7 6
601 „ 700	-	-	8 5 0
701 „ 800	-	-	9 0 0
801 „ 900	-	-	9 15 0
901 „ 1,000	-	-	10 10 0

For the next 1,000*l.* 10 per cent., and upwards, 5 per cent.Further charges (endorsed) one-third of above scale, with stamps in case the prior loan and the further charge exceed 500*l.*, but in no case to exceed 5*l.* and stamps.

	£	s.	d.
Statutory release	1	1	0
Do. do. if registered	2	2	0

Mr. FRANCIS RAVENSCROFT examined.

Mr. F.  
Ravenscroft.7949. (*Sir M. E. Hicks-Beach.*) You are, I believe, the manager of the Birkbeck Building Society?—Yes.

7950. Will you state when that society was established?—In April 1851.

7951. What is the present number of its members?—About 25,000. I can scarcely tell exactly, because the last report which I have given you is up to the 19th year; we have since closed our 20th year, but we have not the report for that year yet in print.

7952. Out of those 25,000 members how many are shareholders?—In what way do you mean?

7953. Investing members, for instance?—There are included in that number 1,700 or 1,800 borrowers, therefore the others would be about 23,000.

7954. What is the amount of the shares?—They are 50*l.* shares.

7955. Out of that large number of members only about 1,800 are advanced members?—That is all.

7956. Do they hold many shares respectively?—Up to April 1870 the number was 17,146, but I do not know what it is in the present year.

7957. What would be the average sum which each of them would have obtained as an advance from the society?—Up to that time the total sum advanced was 882,500*l.*

7958. Do you mean the total amount advanced since the formation of the society, or the amount still due?—That was the total which had been advanced.

7959. How much have these 1,800 advanced members obtained, as advances from the society?—The total amount which we had advanced was 882,500*l.*

7960. To these 1,800 persons?—Yes.

7961. What was the largest advance made to any one of them?—Up to the 18th year we used to publish an account of them, but they became so numerous that we ceased to do so.

7962. Are all these loans to separate individuals?—Yes.

7963. No one person has obtained more than one loan?—I should not like to say,—that might be the case perhaps once in 20 instances. I should not think that there would be more.

7964. I see two of these loans are, one, No. 796, on land at Leytonstone, 12,600*l.*, the other, No. 1,240 on land at Battersea, 12,100*l.*; what were the circumstances under which those loans were made?—In those two cases it was an estate; the one at Leytonstone was an estate which we purchased for the purpose of erecting houses upon it.

7965. Do you mean that the society purchased it?—We lent the money originally, but it turned out that we had to talk to it, and therefore we are building and selling off the ground in plots, in the same manner as a land society.

7966. Was that also the case with the land at Battersea?—No, that was a direct mortgage, but the money was advanced upon the ground rents of the whole estate. A gentleman had an estate, and he created ground rents, and we lent him money upon them, and the money which we advanced he advanced to builders to erect more houses.

7967. Who were the persons who obtained the advance upon the land at Leytonstone? were they

officials of your society?—No. I may say that there is not an official of our society who has had an advance.

7968. Was it a company?—No.

7969. For what reason was it that that land fell into the hands of the society?—As I said at the commencement, we bought it really with the intention of allotting it to our members; but according to the strict letter of the law, I believe you cannot purchase land.

7970. Then these persons were simply put in by the society?—In reality we purchased the estate, but it was done by way of an advance. We purchased it with a particular object, namely, to acquire the land, and build some houses and allot them.

7971. Have you made any other advance in the same way?—No, that is the only case.

7972. Has that proved a profitable speculation by the society?—Pretty well. We have not got rid of it all. We are endeavouring to create ground rents.

7973. Was the advance at Battersea made for building purposes?—Yes, that was the object of the party to whom we lent the money, although we lent it upon ground rents which were created.

7974. Was the party a builder?—No.

7975. Has that advance been repaid?—A large portion of it. I should think that about 7,000*l.* of it has been repaid.7976. I notice other advances of a considerable amount. No. 1,290, land at Battersea 4,000*l.*; was that on the same property?—Yes.

7977. For the same purpose?—Yes.

7978. Was any other advance made upon that property?—We have lent money upon some of the houses which have been built, in the shape of 200*l.*, and 300*l.*, and 400*l.* advances.7979. There is another advance, No. 1,020, on 160 houses at Kennington 6,400*l.*; was that advance made to a builder?—No.7980. In what position was the person to whom that advance was made?—It was the executrix of a party who had died, and the property was improved ground rents; it was one large estate, the original ground rent was only a small amount, and her husband had built a number of houses upon the land, and had created a ground rent of 4*l.* each, and then we advanced upon the security of those ground rents.7981. There is another advance on 20 houses at Kentish Town 3,100*l.*; in what class of life was the person to whom that advance was made?—I think that he was a solicitor.

7982. Have any of your advances been made to builders?—Yes, numbers.

7983. And in large amounts?—1,000*l.* or 2,000*l.*7984. What is the largest sum which any builder has obtained, in various advances, or in one advance? I should think about 3,000*l.*

7985. Has the society suffered any losses upon business of that nature?—We have had to take possession of some of the properties, but I consider that rather a profit than a loss, for we always keep a good margin, and when we have taken to the houses we



*Mr. F.  
Ravenscroft.*  
6 June 1871.

have realised a profit upon those we have sold at present.

7986. I see that a very large number of your advances vary from 150*l.* to 500*l.*?—They do.

7987. And they are made on property in various parts of the country?—Yes.

7988. At Aldershot, Staines, and Windsor; those are three advances following one another?—Yes.

7989. Have you advanced much money on property away from London?—No, not a great deal; the bulk of it is in London. I suppose that not one advance in twenty is on property out of London, or a larger proportion still than that is in London.

7990. I do not think that you answered my question as to the largest sum, or number of sums, which any single person had obtained from the society?—I said about 3,000*l.*, with the exception of the case at Battersea, to which you have referred,—that is the only exception.

7991. But if you have advanced the sum of 880,000*l.* to 1,800 shareholders, I do not quite see how you bring up that total?—All those items made up together come to the exact amount. You will find on the last page, or two pages, properties which have been entirely redeemed and the deeds returned.

7992. On what terms are your advances made?—We have two plans; we lend to be repaid by monthly instalments, spread over a term of from 5 to 21 years; and we also lend it at a fixed rate of interest of 5 or 6 per cent. upon freehold or leasehold security for three years, to be paid back either in one sum or by instalments within three years, to suit the convenience of the borrower.

7993. As to the first method of repayment, are there calculations in your rules upon which it is made?—No.

7994. Can you state what interest, apart from the repayment of principal, the borrowers pay?—When we lend the money to be repaid by monthly instalments we charge 7 per cent.; but where the money is paid back in one sum, where we get what we call a better class of security, we charge 5 per cent. on freehold, and 6 per cent. on leasehold.

7995. Is any premium paid on obtaining an advance?—We charge  $\frac{1}{2}$  per cent. per annum, according to the number of years for which the borrower borrows the money.

7996. Is that included in the 7 per cent.?—No.

7997. Then that is  $\frac{7\frac{1}{2}}$  per cent. per annum?—Yes, it equals that.

7998. What are the entrance fees?—2*s.* 6*d.*

7999. On each 50*l.* share?—Yes.

8000. What is the charge for surveying the property upon which an advance is required?—We charge 1*s.* for a survey committee, which consists of three of the directors, and when the property is within five miles of the society's office the surveyor is entitled to a guinea for the first 100*l.* and half a guinea for every additional 100*l.*

8001. Have you a solicitor to the society?—Yes.

8002. What is the charge for a mortgage deed?—Four guineas.

8003. Does that include the investigation of title?—Where there is a purchase deed as well, the solicitor charges three guineas for the conveyance, which would make seven guineas for the conveyance and mortgage, but where there is no conveyance, the four guineas would include all.

8004. Is it the same in all cases, whatever the amount is?—Yes.

8005. In small advances, that would make a perceptible addition to the interest?—It would. The solicitor considers that he has the same amount of work to do in a mortgage, whether the sum is 500*l.* or 5,000*l.*

8006. Have you ever calculated what the whole interest would amount to, including all those charges?—I should think that, taking everything together, commission and all, it would not exceed 8 per cent.; that is, when the money is paid back by instalments.

8007. Referring to your members who are not

borrowers, in what sums do they pay up their shares?—It varies. It ought to be at the rate of 6*s.* 6*d.* per month. That is the regular subscription, but still it is not limited.

8008. Have you any paid-up shares?—Yes.

8009. Of the same amount, 50*l.*?—Yes.

8010. How many out of the number of members which you have given me are holders of paid-up shares?—I should not like to say.

8011. Will you state it, speaking roughly?—I have never calculated them. They might be, perhaps, 2,000, but still I should not like to say positively.

8012. We have still, speaking roughly, 21,000 persons who are holders of ordinary shares?—Ordinary shares and deposits.

8013. What is the interest paid to the investing shareholders?—5 per cent.

8014. Is there any profit or bonus besides?—Yes; they have a division of the profits once in three years.

8015. What was the last amount paid?—It happens to be in the last report; it was 19*l.* 17*s.* for all shares which had been 10 years in existence.

8016. What per-centage would that be?—It would be as nearly as possible 9 per cent.

8017. In addition to the ordinary 5 per cent.?—In addition to the ordinary interest.

8018. From what sources is that profit derived?—From the difference of interest between what we pay and what we receive, and also from the excess in the expense fund in receipts over the expense of management.

8019. Do you mean that it is derived from the borrowers?—The best part of it must be so. The investors contribute a portion, but still nothing approaching that which the borrowers do.

8020. Is that interest and profit or bonus paid to the shareholders, or is it placed to their account?—It is paid in cash to all the shareholders whose shares have been completed; and in the case of those shareholders whose shares have not been completed, it is added to their account.

8021. Let me now separate the depositors from the shareholders proper; out of the 21,000 members how many are depositors, and how many are shareholders?—The depositors are 13,869.

8022. What interest do you pay upon the deposits?—4 per cent.

8023. Have you varied the rate of interest at all?—Yes; we formerly gave 5 per cent., but we reduced it to 4 per cent. last January twelvemonth.

8024. Was that because you wished to curtail the amount of deposits?—It was because money was coming in too quickly; but since we have reduced the rate of interest we have not found that the deposits have fallen off in the least. In the present year we have increased them by 100,000*l.*: it is 120,000*l.*, I think.

8025. What sum have you now in deposits?—800,000*l.*, I should think—a little over 800,000*l.*

8026. In what sums do you receive deposits?—From 1*s.* upwards.

8027. What is the largest amount standing to the credit of any one depositor?—I should hardly like to say, but I daresay 2,000*l.*

8028. On what security are those deposits made?—We only issue a pass-book, and enter the amount in the book.

8029. You give a pass-book to the depositor?—Yes.

8030. Has the society borrowing powers in its rules?—Yes, under Rule 34.

8031. Can you state what is the amount at present to the credit of investing members in the society, exclusive of depositors?—I should think that it is somewhere about 120,000*l.* It was 88,000*l.* I see last year, but we have increased it by about 30,000*l.* this last year.

8032. What is the balance at present due to the society on advances upon mortgage?—Up to April last year it was 690,000*l.*

Mr. F.  
Ravenscroft.  
6 June 1871.

8033. What is the real security upon which the depositors have lent their money?—Upon the security of our securities. We lend upon nothing but freehold and leasehold property, and our surplus we invest in the funds. At the present moment we have something like 280,000*l.* almost at call, which we could realise to-morrow if we wished it.

8034. In what is that amount invested?—Consols, New 3 per cents., India stock, and Metropolitan 3½ consols. We invest in nothing but what trustees are legally allowed to invest in, according to Act of Parliament.

8035. Then you consider that you have practically a large balance in your favour, because you not only have the security of your mortgages, but you also have a large amount at call, ready to meet any sum demanded?—Yes.

8036. What is your rule as to the withdrawal of shareholders?—The rule is that they should give from a week's to a month's notice, to expire at any ordinary monthly meeting; but our practice is to allow a member to withdraw his money on demand.

8037. Then practically they are on the same footing as depositors?—Yes. We find it to our interest to pay the money promptly, rather than that members should ask a second time for it: they then come back to us again.

8038. In reckoning your annual profits, what do you do with the commission of ½ per cent. for advances?—That goes to the expense fund for management.

8039. Do you keep a separate fund for that purpose?—Yes.

8040. And do you place all fines and fees to that fund also?—Yes.

8041. What is the amount of your fines?—The fines which we received last year were 182*l.*

8042. What is the amount of the fine upon failure of payment of one of the monthly contributions?—6*d.* per share per month.

8043. Increasing with the number of months' failure?—It is 6*d.* per share per month for the first two months, and 1*s.* per share per month afterwards.

8044. Does it increase beyond 1*s.* per share?—No.

8045. Judging from the small amount which you have received from that source, I suppose that you do not find it necessary often to inflict your fines?—We do not.

8046. How do you account for your repayments of advances? do you separate the repayments of interest from the repayments of capital?—We do at the end of the year; at the close of the year we add the amount of interest to each member's account on the balances due at the commencement of the year.

8047. I mean in your balance sheet?—Yes. You will find that there is a separate table for that, and also an item in the balance sheet; at the bottom of the second page in the account, you will find the interest account.

8048. What is the sum which you pay as discount?—5 per cent. per annum.

8049. For what?—For anything which is paid in advance.

8050. Subscriptions on shares?—Yes, and on repayments of loans as well.

8051. To what class of society do your members mostly belong?—I should say the working and the middle classes.

8052. Can you draw any distinction in that respect between your borrowers and your investors, either as depositors or as shareholders?—I should say, as a matter of course, that the borrowers are the poorer class.

8053. That would hardly appear from the paper which you have handed in, showing the large sums advanced?—That occurs in a few cases, but in the bulk of the cases the advances are of a small sum, to buy a house for their own occupation.

8054. In what class of society are the investors?—I should put down the majority as being of the middling class; of course we have a great number of the

poorer class; we have, perhaps, 5,000 accounts where the persons have not 5*l.* in the society. Taking the average of our depositors, I think that they average something like 40*l.* a head.

8055. With regard to the investing members, do many of them hold more than one share?—Yes.

8056. Are there many who hold only one or two shares?—Yes, numbers; the greater bulk have single ones, but still there are several who hold more.

8057. Has your society any connexion with any other society?—We have a land society at the same place, but it is totally distinct.

8058. Are you also the manager of the land society?—Yes.

8059. Are your offices at the same place?—Yes? these are the rules of the land society (*delivering in the same*).

8060. I observe several of the same names among the list of directors of the land society, and of the building society?—Yes, there are nine directors in each, and five are the same.

8061. The bankers are the same?—Yes.

8062. And one of the auditors is the same?—Yes.

8063. Had the land society anything to do with the estate at Leytonstone?—No.

8064. Or with the Battersea Park estate?—No; you will find that there is a list of all the estates of the land society in pages 2 and 3.

8065. Has the building society advanced any of its funds to the land society?—No.

8066. Then how is it that the two societies apparently work together? what is the advantage of that?—The objects of both are quite distinct, so far as the borrower is concerned.

8067. How are their objects distinct?—In the one case they merely lend money on the mortgage of houses, and in the other case they sell plots of land to the members.

8068. Are their objects distinct as far as the investors are concerned?—No; they are similar, because they merely invest their money, and receive interest for it.

8069. Does the land society admit depositors?—No.

8070. Then how do you mean that their objects are the same, as far as the investors are concerned?—Each society has investing shareholders, who subscribe money and receive interest upon it. In the land society we pay the investors a fixed interest of 6½ per cent., with no division of the profits. In the building society we pay them 5 per cent. interest, and there is a division of profits every three years.

8071. What is the reason of the connexion between these two societies?—I do not know that they are connected at all; they are totally unconnected as far as money and everything goes; it happens that some of the officers are the same in each society, but the societies are no more connected than that.

8072. Do you think that a building society can perfectly perform its functions without any connexion with a land society?—Decidedly.

8073. When was the land society founded?—In 1852. I think that it was August 1852.

8074. I see in this report which you have placed in my hands that allusion is made to "the large increase" in the transactions of this society, and of that with "which it is so immediately connected," that is, the Birkbeck Building Society. I want to ascertain what that connexion is?—They have been trained up together in the same office, and half of the directors and the manager are the same; that is the only way in which they are connected, in no other respect.

8075. I notice in the rules of the Birkbeck Building Society that your second rule recites the object of the society; it is stated to be "to enable the members to "raise a fund out of which they may be individually "enabled, as provided in subsequent rules, to purchase or erect a dwelling-house or houses, or other "real or leasehold estate in any part of Great Britain?"—Yes.



Mr. F.  
Ravenscroft.  
6 June 1871.

8076. How does that rule apply to your depositors?—I do not know that it applies to them at all.

8077. Was the business of your society ever conducted in a different manner, so that deposits were not received to the extent to which they are now received?—Of course you will see by the balance sheet that they have been increasing every year. My idea in forming the deposit branch was, that at the time building societies were in rather bad repute, because members could not withdraw their money when they wanted it, and it seemed to me a means of getting over the difficulty; in many cases members had to give 9 and 12 months' notice, and it was two or three years before they got out their money. In the first year we received 602*l.* deposits, and from that time it has been increasing from year to year, and it has enabled us to return our money freely to our members.

8078. Then you look upon the deposit business as a necessary element?—Yes; the permanent societies at least cannot work without it. The terminating ones can, but still they are in very bad repute.

8079. I daresay that you are aware that a good many societies take very much less in the amount of deposits proportionally to the amount of their investing shareholders than you take?—That is very likely, but still we do not know where to draw the line. We cannot tell the members that they must not bring in their money, and it shows the confidence of the public in trusting us so much.

8080. Do you not think it would be advisable, for the benefit of the depositors themselves, that some limit should be fixed?—I have been thinking that over, and I do not see how a limit can possibly be fixed.

8081. Have you heard a suggestion made upon that point?—I do not know what you are referring to. I have heard several suggestions of different kinds of limits. I have heard of a limit, so far as making the deposits a proportion of the advanced share account.

8082. I was thinking of the proposal of limiting the deposits by the amount outstanding upon mortgages?—Supposing that you assumed that we had 1,000*l.* outstanding on mortgage, and that it was said, "You shall have deposits to half the amount," it would enable us to have 500*l.*; there is nothing to prevent next week a number of mortgages being redeemed, and perhaps reducing the amount to 700*l.* You could not compel the depositors then to take back their money; and I presume that if that was the case, you would be working illegally. It is not like a joint stock company, where you cannot alter your capital.

8083. Could not you either lend the money again, or place it in the funds, or in some investment similar to that in which your society invests its money?—But still we should have deposits exceeding the limit which you are referring to.

8084. But supposing that limit to include not merely the amount outstanding on mortgage, but the amount actually in the possession of the society, would not that objection be met?—I think not. It is no matter what figure you fix upon, say that at the present moment your liabilities are a million, and that you shall borrow only half the amount, you cannot regulate it. I know that sometimes several redemptions come in, and you are placed in very awkward circumstances.

8085. Have you always had as large a proportionate fund readily available, invested in the funds, and so on, as you have at present?—Pretty nearly; for several years past we have.

8086. Of course it would be possible for you, if you chose, to invest that money in mortgage, and you might do it to such an extent that your society might be placed in considerable difficulties?—We will not do that. We have, I suppose, at least 40 per cent. of our liabilities in ready cash, which, I think, is a larger amount than any bankers or finance company can say that they have got, including the Bank of England.

8087. Then, in place of that limit on the deposits, would you say that there should be some proportion

in ready cash?—I am afraid that it would always lead to difficulties if there was any limit. I do not know how it would work, if that limit was exceeded from a cause over which you had no control, namely, by the money being paid off.

8088. Your opinion is that it is a matter which should be left to the directors of each society?—I fancy so. I am afraid that it would otherwise lead to very great difficulties, by the directors exceeding their borrowing powers. I do not know what chancery suits might result from such a thing.

8089. Do you confine your advances strictly to freehold and leasehold security?—Yes, we have never lent on anything else; we have never made an exception.

8090. Have you any system of making short loans, as it were, to investing members, in order to save them from withdrawing their shares if they need money?—We have a separate society for that.

8091. What is the name of that society?—We call it the Birkbeck Advance Society; there we lend to our own shareholders upon the security of their shares in the society. By that means they are enabled to continue on instead of withdrawing at a loss, because they would otherwise forfeit their bonus, which would be a considerable sacrifice.

8092. From what source does that society obtain its funds?—From deposits; that is only a small society.

8093. Upon what security are those deposits received?—On deposit notes. A member perhaps may deposit 100*l.* for three years or five years, or something like that time; we do not take it in repayable upon short notice; we take nothing under 12 months' notice, and up to five years, and sometimes 10 years.

8094. Is that on the promissory notes of the directors?—No, there is merely a receipt for the money, stating that it is advanced at a certain rate of interest, and for a certain term of years.

8095. Is that society certified as a building society?—It is not; it is only a very small affair.

8096. Is it practically under the control of the directors of the Birkbeck Building Society?—There is a separate set of directors for it.

8097. But are they the same?—No.

8098. Then how do they know that the advances which they are making to the shareholders of the Birkbeck Building Society are made upon proper security?—I am the manager of it.

8099. Is there any other society of any description connected with the Birkbeck Building Society?—No.

8100. What is the Birkbeck bank?—That is for what we call the deposits in the building society.

8101. I see in your disbursements for the last year, ending 12th of April 1870, the sum of 14,652*l.* 7*s.* 3*d.* "advanced for ground rent, insurance, &c., of mortgaged properties." What is that?—They are different properties, of which we have the management, belonging to the society; properties upon which we have advanced on mortgage. I always pay the ground rent and insurance of all the mortgaged properties, and then the members pay it back to me.

8102. Does that refer to properties which have fallen in hand?—They are all included in it. We always pay it, so as to be secure against any breach of the covenants, and so on.

8103. Have you many properties in hand?—Yes, we have, I suppose, 200 houses.

8104. Are you in the receipt of rents from those properties?—Yes.

8105. Does that appear in your accounts?—Yes.

8106. It does not appear in the cash account, does it?—It is included under the second item on the left-hand side of the cash account, "Ditto on advanced shares;" we treat it as subscriptions coming in.

8107. You treat it as repayments?—Yes; in fact in a number of cases the rents are more than the members would have had to pay.

8108. What is the sum for "ballot fees?"—We

make every member who applies for an advance pay 2s. 6d.

8109. You have no ballot for an advance, have you?—It is an imaginary one. At the commencement of the society we had not such funds as we have now, and therefore we had a ballot every month to determine who should have the money, but now we have sufficient money to advance to all who apply, but still we continue to charge the 2s. 6d. for each member.

8110. (*Sir S. H. Waterlow.*) With reference to the Leytonstone land, was any member of the direction, or large shareholder, connected directly or indirectly as the vendor of the land?—No, it was quite distinct.

8111. It was bought of persons altogether independent of the company?—Quite so.

8112. I think you have stated that you regard the borrowers, as a rule, as members of the poorer or working classes?—I consider so; there may be a few exceptions, taking 20 or 25 out of them.

8113. If you have 880,000*l.* advanced among 2,000 borrowers, that is an average of 440*l.* apiece; is not that rather a large sum?—If we lent to a builder we should call him a working man.

8114. I mean mechanics earning weekly wages; have you any large number of your borrowers among that class?—Yes, the greater bulk of them. I should think that at least six out of every ten would be of the poorer class.

8115. Do you, as the manager of the society, think that there is any risk in lending an amount of 440*l.* to a person of that class?—Not if we had a security to that amount, or a little over. We do not look to the person, but to the security.

8116. Is not the interest which your borrowers pay  $\frac{1}{2}$  per cent., rather than 8 per cent.?—No.

8117. You charge  $\frac{1}{2}$  per cent. for the surveyor's fee?—That only applies to the first year. If a member borrows for 20 years, the surveyor's fee must be divided by 20, and therefore it comes to a very small amount.

8118. Then there is the  $\frac{1}{4}$  per cent. entrance fee?—That is only on the first year, and not on the whole term.

8119. But it is still on the whole amount of the members' shares?—Yes, but if a member borrows 500*l.* for 20 years, it is true that he pays  $\frac{1}{4}$  per cent. entrance fee, but it must be divided over 20 years, it would equal 1s. 3d. a year.

8120. Do not the borrowers take shares equivalent to the whole sum borrowed?—Yes, but the fee is only paid once, and not 20 times over.

8121. The depositors are not members of the society, are they?—We call them depositing members.

8122. But are they members having a voice in the management of the society?—No.

8123. Then, in fact, they are more like customers of a bank than members of the society?—If you like to term them so, I suppose that they are, but we have always called them depositing members; we have depositing members, borrowing members, and investing members.

8124. They have no right over the society, except that they claim the return of their money?—That is all.

8125. Have you one of the pass-books with you?—No.

8126. I understand you to say that seven days is the maximum notice required for the repayment of deposits?—Yes; that is according to the rules, but we always pay on demand, we never require a notice to be given.

8127. If you have 800,000*l.* liable to be recalled within seven days, and have only 280,000*l.* to meet it, do you think that a safe position?—That is not all; we have also ground rents. I cannot say that they are at all, but if we wanted the money, while we were using up all our cash, we should either borrow on or sell our ground rents. We have, I suppose, 150,000*l.* invested in ground rents only, and we have invested our surplus funds in freehold property.

8128. You said that 690,000*l.* of the 800,000*l.* was lent on mortgage for terms varying from 3 to 21 years?—Yes, but that does not include the ground rents.

8129. But that is nearly 700,000*l.*, which could not be realised if your depositors asked for it on seven days' notice?—Yes, but we have a sum of money at hand equal to 40 per cent. of our liabilities, and than is a larger reserve than any banker in England can say that he has.

8130. Your deposit business is a banking business?—Yes.

8131. Do you not know that no banker would think it safe to lock up 60 per cent. of his money in unrealisable securities?—It is not that, because all these mortgages are running out every day. Our total receipts for the past month were 185,000*l.*

8132. A large sum of that was from money deposited?—Yes, but still a large sum was coming in from the repayments of the borrowers. If we lent out the money permanently for the term which you say, I should agree with you; but it is always coming in, and we only allow our borrowers to go three months behind, and we have the power of taking possession, and seizing, though we do not often exercise it.

8133. Do you not consider the deposit business as a totally different business from that contemplated by the Building Societies' Act?—I cannot say that it is, because without it we could not get a sufficient number of investing members, and therefore the society could not go on to the same extent.

8134. With such a large amount on deposit, is not the business conducted almost entirely for the benefit of the investing members?—No; I consider that the advantage is mutual; the borrowers benefit equally with the investors.

8135. Do you think that the borrower paying 8 per cent. gets an equal share of the profits?—Supposing that he did not buy a house at all but paid rent, what you suggest would be the result. Taking the average of the members, I should say that they do not pay 8*l.* a year beyond what they would pay for rent, and therefore being able to buy a house at the end of the term is a great boon to them.

8136. What proportion of the 700,000*l.* do you think is on single houses?—Taking the number of transactions, and the number of houses, it averages two houses to each advance. That would show a great number of single houses.

8137. How many single houses do you think would be represented by the 700,000*l.*?—I cannot tell exactly. The number of borrowers would be about 1,800. I should think that at least 1,000 of those 1,800 would be persons having single houses.

8138. Then of the 700,000*l.* there are only 1,000 separate houses?—Yes, and the others would be twos and threes, and fours, making the average on the lot two each.

8139. You think that the system of taking deposits to this extent justifies the change from terminating societies to permanent societies by remedying the mischiefs to which terminable societies were subject?—There is no question about it.

8140. (*Sir M. E. Hicks-Beach.*) Is there not a society called the Birkbeck Freehold Land Bonus Distribution Society?—We call it by that name, but it is really the land society, in which we have issued a new class of shares.

8141. Is that connected with the land society?—It is the same thing. You will find on the top of the land societies' report that it says, "shares 30*l.*, entrance fee 1*s.*, ditto on bonus shares 6*s.*" We merely have a draw once a year, and distribute a certain number of plots of land at cost price, instead of the members paying a heavy price for them. It is like the Starr-Bowkett societies; they advance some money with interest, and some without interest.

8142. Those persons who win obtain the land at cost price?—Yes.

Mr. F  
Ravenscroft.  
6 June 1871.



*Mr. F.  
Ravenscroft.*  
6 June 1871.

8143. I notice in the land society's account, "cash at banker's, Birkbeck, 36,369*l.* 5*s.* 6*d.*"?—Yes.

8144. What does that mean? I think that you said that the Birkbeck bank was practically a deposit business?—Yes.

8145. Is it that?—Yes.

8146. Is that cash upon the deposit account of the Birkbeck Building Society?—Yes.

8147. That is the connexion between the two societies?—Yes, if you like to call that a connexion; the land society merely put it in because they get 4 per cent. interest, whereas the Union Bank only give them 2 per cent.

8148. What do the Birkbeck Building Society do with the money?—They lend it out on their mortgages.

8149. Then the land society lends to the building society?—I cannot say that it is lending; it is merely depositing the money. It is not lending any more than it is lending money to the Union Bank, they have two bankers, and they deposit so much money with each.

8150. Of course the interest of the land society as to the advances by the building society being safe is secured by the directors being the same persons?—Yes, the land society places money in the hands of the building society, which the building society advances on mortgage. It is just the same as in the case of the Friends of Labour Loan Societies, Penny banks, &c. We have several of these little societies who keep accounts with us, because they get a larger interest.

8151. Had the land society in former years the same amount deposited with the Birkbeck bank?—No, that has all been accumulated in the last few years. If you look to page 4 and to the right-hand table, the third table down, you will see that under the head of "gross receipts and payments," at the close of the 18th year, the cash balance in hand was 36,915*l.*, in the 17th year it was 20,738*l.*, and in the 16th year it was only 1,749*l.*

8152. In the 15th year it was 11,509*l.*?—Yes.

8153. Is it usual for a land society to have so large a sum which they do not invest in land?—We feel

The witness withdrew.

Adjourned to Thursday next, at half-past 11 o'clock.

Thursday, 15th June 1871.

PRESENT:

THE RIGHT HON. SIR STAFFORD H. NORTHCOTE, BART., C.B., M.P., IN THE CHAIR.

SIR MICHAEL E. HICKS-BEACH, BART., M.P.  
JOHN BONHAM-CARTER, ESQ., M.P.

EVAN MATTHEW RICHARDS, ESQ., M.P.  
FRANCIS THOMAS RICHAM, ESQ.

MR. WILLIAM LOCKET HARLE, examined.

*Mr. W. L.  
Harle.*  
15 June 1871.

8161. (*Sir M. E. Hicks-Beach.*) We understand that you have had a good deal of experience in connection with building societies at Newcastle and the neighbourhood?—I have. Perhaps I had better state what I have done, and then questions will naturally arise out of my statement. About 30 years ago I formed several societies in and near Newcastle. The Act of Parliament under which they were established was passed, as you will remember, in the year 1836, being the 6th and 7th William IV., and it originated with an old friend of mine, the late Mr. William Henry Ord, who was then member for Newport. At that time, in preparing our securities for loans made by the societies to members, we studiously avoided all reference to societies, or in fact describing them in any way as bearing upon a society. The deeds were made out to four trustees, and the deeds bore stamps. The trustees were not described

compelled to keep it on account of our liabilities increasing. In our land society our liability to cash is now over 100,000*l.*, and therefore we keep about 40 per cent., as we do in the building society, to meet it; it would never do to invest all our cash in estates, and to have none to meet our withdrawals.

8154. In the assets of the building society, I see "banker's deposit account, 125,000*l.*;" in what bank is that?—In the Union Bank.

8155. That is not in the Birkbeck bank?—No.

8156. Is the "current account, 7,025*l.*," also in the Union Bank?—Yes. The land society's balance is all in the Union Bank just the same, only that they pass it through the building society in order to get extra interest.

8157. Is the Birkbeck Advance Society a loan society?—It is only a very small thing; it is composed of five private parties; we never have anything printed. I suppose that, taking the whole together, we have not done 5,000*l.* worth of business in it.

8158. In the list of advances made by the building society, I see one case "Hornsey Rise, 4,000*l.*"?—That was a public-house which the society itself built on one of its own estates, and after it was built we succeeded in getting a license on the first application, and then sold it, and we advanced the purchaser 4,000*l.* towards it; he paid 4,700*l.* for it; he paid 700*l.* himself, and then we advanced him the difference, taking a mortgage for the difference.

8159. Was the advance made before the license was obtained?—No; where you see the larger advances, there are a greater number of houses, and in those cases it was principally to builders that we made the advances; but we have now ceased for two years or two and a half years to advance any money on unfinished property.

8160. Why have you done so?—Because we found the building speculation was going on to too great an extent; there was a builders' panic, and the builders got into the Gazette, and it is from thence that we have most of the property in hand. But although it is not exactly the business of a building society to have property in hand, still I consider that in all those cases we shall make a large profit out of them.

as trustees of a society, but simply as private individuals lending the money, because at that time conveyancers thought that it was not desirable to introduce into the securities any reference to a society. That went on for some years.

8162. You are speaking of the loans made to advanced members, are you not?—Yes. At that time those societies lent the money in that way, and a stamp duty was paid upon each mortgage deed, and also upon the reconveyances; and until a decision was given in the Court of Common Pleas, which relieved societies from stamp duty, the whole matter was treated as a private mortgage. That was a decision in the days of Lord Chief Justice Wilde, and it relieved societies from stamp duty. Of course that has a very important bearing upon what may be termed the financial part of the case. In those days the parties subscribed, we will say, for so many shares, the payments upon

which were to be made each month, and the share was valued at 120*l*. They all terminated at a given period. Such a thing as a permanent society was totally unknown at that time. I had a large society in Gateshead which lent money in this way: one or two shares, it may be said, were ready,—two shares making 240*l*. That money was put up to auction to the members, and those who most wanted it bid the highest sum per share for it. For instance, I have known as much as 10*l*. to be given in that society for a share of 120*l*. In another society with which I was connected, I have known as much as 40*l*. offered for a share of 120*l*., but I am sorry to say that the man never paid the money. At that time the meetings of all the societies were held in public-houses; a particular tavern was selected, and for the benefit of the landlord a certain quantity of beer was taken on each meeting-night after the business was done, and I never knew an instance of a society being held anywhere except at a tavern during that period,—that is to say, about 1840, and going on for the next 10 years. I once formed a society in what was called a Rechabite tent, but that of course was with a view to another class of persons who were teetotallers, and that society did not succeed. Then the societies came down to what was called the freehold land movement, which you will remember originated in Lancashire, and which I consider was the origin of the permanent building societies. I formed a large freehold land society about 1849, and then, as a site was sold to each member, it was necessary to give him the means of building a house, and a large building society was formed chiefly in connection with that freehold land society. That was in 1851, and it was the first permanent building society which was introduced into the north of England. Up to that time, the terminating principle had been invariably adopted in Newcastle and the neighbourhood. Up to that time too, there had been no borrowing of money. A share was subscribed for, and sold in the way which I have described; if there was any competition for it, and if the society wanted a little money, perhaps the bank where the account was kept might allow a slight over-draft until the subscriptions of the following month put it right.

8163. You say that there had been no borrowing of money?—Up to 1851 there was no borrowing of money by societies.

8164. There was borrowing from the bankers?—There was a slight over-draft, but no security was given for it. It was simply a matter of favour if the society stood well with the bankers.

8165. Did the bank simply allow the society to overdraw, or did the trustees give their promissory notes?—No, I never heard of such a thing as a promissory note being given by a trustee up to 1851; it was simply a matter of favour. Perhaps the banker was himself connected with the society at that time, and one or two managers of joint stock banks took an interest in those societies.

8166. Before 1851, did any terminating society, which from approaching the period of its termination found a difficulty in lending its money, lend the money to a society newly formed?—I never knew that to be done.

8167. Are you aware that that has been done since?—I am aware that that has been done frequently, but at that time such a thing was never known. As the society terminated, efforts were made, possibly by the attorney or the secretary, or somebody connected with it, to form another, and to take over the property of the surviving members and others, the money was paid up rapidly and the society was brought to a close.

8168. Will you proceed with your statement?—I established a society called the Northern Counties Society, on the permanent principle, which is the second largest in Newcastle. The permanent principle was gradually adopted in other societies, and I believe that now there are very few of the terminating societies in existence in our part of the country.

Then came the borrowing of money; it was done very timidly in the first instance, after 1851. Efforts were made to induce the bank of the society, as before, to advance money, but it was of course always within very narrow limits. Then parties, in their anxiety to get money, would propose to the directors that the deeds which they proposed to give to the society should be deposited with the party who advanced the money. Hence, an individual said, I will advance to the society, or to Mr. So-and-so (knowing the transaction) 300*l*, provided that his deeds are deposited with me; that I know was frequently done in the early history of these societies after 1851. I will draw your attention at this stage of the matter, to the rule which I got Mr. Tidd Pratt to adopt in the Northern Counties Society, which has never been adopted in any other society in our part of the country; and on this rule a great deal of discussion in the North of England has arisen. It is Rule 18. "Trustees may borrow moneys 1. That the trustees for the time being may, from time to time, as occasion shall require, borrow and take up at interest any sum of money from any banker with whom the funds of the society shall be deposited, or from any other person; to procure which the trustees may give their own personal security, and they shall be indemnified out of the first funds of this society which shall be received. 2. That the parties lending money to the trustees of this society, pursuant to the provisions herein contained, shall be allowed interest for the same at the rate of and not exceeding 5*l*. per cent. per annum such interest to be payable half-yearly, or otherwise as may be agreed upon; and that all loans to the society shall be repayable to the lender, by giving 28 days' notice on any monthly meeting night of the society. 3. That for securing the repayment to the person or persons advancing the same, of all moneys to be so borrowed by the trustees on behalf of the society as aforesaid, it shall be lawful for them, the said trustees, to give or authorize to be given, such form of security as may be legal, and as the said trustees shall think proper and necessary for or in respect of the same. 4. That no trustee (unless by his consent expressly signified in writing on the security to be given to any lender) shall become responsible for any sum or sums of money so borrowed as aforesaid. 5. That the total sum of money to be borrowed under this rule shall not at any one time exceed two-thirds of the amount for the time being secured by the mortgages to the society, including the mortgage or mortgages for which such advance or advances may be required." That was the first time, I believe, and the only time that Mr. Tidd Pratt passed a rule for borrowing money in due form of law; he never would do it again. I had repeated conversations with him on the subject, and I think that subsequently he obtained the opinion of the present Lord Westbury, who was then Attorney-General; and after that opinion, and in fact before that opinion,—but that opinion confirmed him in his views,—he never would again pass a rule of that description.

8169. What was the date of that rule?—The 18th of January 1851.

8170. But Mr. Tidd Pratt before that time at any rate sanctioned rules giving borrowing powers to building societies?—Not in our part of the country. You will recollect that this was the first permanent society.

8171. But are you aware that Mr. Tidd Pratt sanctioned borrowing powers in several other cases besides that of your own society?—Not in Newcastle. It was tried over and over again; but I am not aware of a single instance in which he passed that rule for borrowing money. In our part of the country, on the Tyne, where so many large loans have been contracted, no powers exist for borrowing in this form excepting in this instance. Under that rule, the loans have amounted within the last two years to upwards of 60,000*l*.

8172. Have they been confined within the limit laid down in that rule?—Sometimes they have been

Mr. W. L.  
Harle.

15 June 1871.



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15 June 1871.

a little over, but on the whole, to the best of my recollection, they have been within the limit laid down. I do not think that at any given time an account was taken of what advances were made, but I think that they were within the limit.

8173. Has any difficulty been found in confining them within that limit? For instance, supposing that a large advance was paid off which would reduce the amount outstanding, what would then be the action of the society?—They never paid off the debt, but they took the chance of getting the money out again.

8174. Then at times they must have taken a larger amount on loan than those rules allowed them?—Yes. If you struck a balance on any given day, I should say that there was a surplus over the two-thirds. When other societies came in competition with this one, and found that they could not get this rule certified by Mr. Tidd Pratt, various expedients were adopted in order to raise money. The trustees gave their notes in order to raise money without the authority of a rule; they were not afraid to do it. Then came the certificate of a paid-up share, and on that certificate nearly half a million of money has been borrowed in our neighbourhood during the last eight or ten years.

8175. Do you mean that the societies practically take paid-up shares instead of deposits?—No. I have brought the rules of the largest society, which society has not the rule which I have read as existing in the Northern Counties Society, which explains the principle of the paid-up shares.

8176. What is the name of that society?—It is called the Newcastle-upon-Tyne Permanent Benefit Building Society. Their loans now are 240,186*l.*; that represents for the most part the money in preference shares. I do not know what was the origin of this expedient; but when Mr. Tidd Pratt was unwilling to issue any more rules for borrowing, of the description which I have read to you, this expedient was adopted of issuing certificates to the parties who had lent the money, thereby making them shareholders in the society for a given amount of paid-up shares.

8177. That is precisely what my question was. I asked you a little time back whether the practice was not for the society simply to issue these paid-up shares in place of receiving loans, practically arriving at the same point?—They do not issue the shares; they issue the shares as representing the loan. It probably comes to the same thing. Suppose I suggested to the society that I was prepared to lend them 1,000*l.* I should say, "You cannot give me the notes of your directors, but you will give me a certificate or certificates for paid-up shares, thereby making me a preference shareholder." That is the way in which it is done; that is the course adopted. I cannot tell you who invented it, but, strange to say, Mr. Tidd Pratt passed it in a great many cases, and the very large amount which I have described as being lent in Newcastle and the neighbourhood, really represents those extraordinary certificates, which are all unstamped.

8178. Looking at the Act of the 6th and 7th William IV., chapter 32, how was that payment in paid-up shares reconciled with this proviso, "such subscriptions not to exceed in the whole 20*s.* per month for each share"?—I never could understand it. I will read you a rule which is totally unconnected with that proviso in the Act of Parliament. It is Rule 33 of the Newcastle Permanent Benefit Building Society: "The directors shall have power to issue certificates of paid-up shares signed by the trustees, of the value of 100*l.* each, after the following rates: For three years, 86*l.* 7*s.* 9*d.*; for four years, 82*l.* 5*s.* 5*d.*;" and so on, until it comes to 12 years, when they represent 55*l.* 13*s.* 9*d.* "The directors may also issue certificates of realized preference shares signed by the trustees, of the value of 10*l.* each, withdrawable on six months' notice, bearing interest after such rate not exceeding 5*l.* per cent. per annum, as the directors shall from time to time fix and determine before issuing such shares, which interest shall be payable half-yearly." It goes on

to say: "The holders of paid-up or realized preference shares shall not in respect thereof be entitled to participate in the society's profits, nor be liable to contribute to its losses, nor in respect thereof hold office or vote." Therefore there might be to a man who lends 1,000*l.* a series of certificates of 10*l.* each, representing that money. The certificates are unstamped, and are signed by the trustees, and then comes the question whether they could in any form be sued upon at common law, supposing that a man gave notice for the withdrawal of his money, and could not get it at the end of the six months. Now that is the position in which all the money in Newcastle and the neighbourhood is at present held, to the extent of half a million in round numbers, excepting what I have read in connexion with the Northern Counties Society; and there 60,000*l.* odd is represented by notes; they never issued preference shares; but have lately, I believe, adopted a certain form of debenture.

8179. I wish to refer to the report of the Northern Counties Permanent Benefit Society, because I want to ascertain how far the proportion which you have spoken of between the loans and the advances is kept?—I have that report at home, and I read it carefully when it was issued, and speaking from recollection, I think that they are within the two-thirds. It may have been varied since. I will send it to the Commissioners.

8180. Will you proceed with your evidence?—The system of preference shares was very unsatisfactory. I was pressed to get it introduced into the Northern Counties Building Society, because, although they had this rule to issue the notes of the directors to the extent of two-thirds, they were still anxious for preference shares in order to avoid stamp duty, because the notes of the directors all bear stamps, and these preference shares do not bear stamps. I was strongly opposed at the time to the issue of preference shares, and I had two or three interviews with Mr. Tidd Pratt about it, and he said to me that the whole principle of the thing was bad; that these were mere subterfuges, and that he thought that the principle of using the rules which he had passed for the purpose of borrowing money was undoubtedly unsound. Two years ago, in order to test that, I raised the very point, in the Court of Chancery, but the matter became involved in personalities, and we never got it discussed and settled. In the course of my business I have frequently stated to trustees and others, and particularly ladies who are anxious for 5 per cent., that there was great danger in holding these certificates of paid-up shares, for they could not be used at common law to obtain the money, and I fancy that nothing short of a chancery suit could compel the directors to pay the money which these certificates are supposed to represent.

8181. Have any instances come under your knowledge in which these preference shares have not been paid, and in which any difficulty or danger has arisen?—A suit is now before the Court of Chancery, in connexion, I believe, with a case at Sunderland, and we shall very likely have it discussed and settled in the course of a short time. There is a society there which is winding up, and I believe that the point will be raised upon the strength of the certificates, whether the parties can recover their money back again upon them or not.

8182. Can you tell us the circumstances under which that society is winding up?—It is insolvent; they have advanced very large sums of money upon an estate in the neighbourhood, I think, of Middlesborough, in Yorkshire, which turns out to be comparatively worthless, and of course they cannot pay them; the party who got their money cannot pay them, and they are insolvent, and the different classes of shares are in course of investigation.

8183. What was the nature of the estate upon which they advanced money?—That was a landed estate.

8184. Was it by way of a speculation in land or minerals?—I fancy they thought that they had a large artificial value in building land, and the con-

sequence is that it has turned out to be a very serious matter for the society, and I understand that that is one cause of the insolvency. I have not been directly professionally concerned in any of the cases, but I am told that very serious issues will arise as to the different classes of shareholders.

8185. Do you know what was the amount of advance upon that property?—Speaking from recollection, I think that it was several thousands.

8186. Then I presume that the society was not one whose operations had very largely extended?—It was not so large as is the case in some of the Newcastle societies, but it was sufficiently large to do a considerable amount of mischief.

8187. Will you explain the last portion of your answer?—I mean to say that the members concerned were numerous, but not so numerous as in many of the societies in Newcastle.

8188. But how did it do a great deal of mischief?—For instance, parties who are unable to pay may be suddenly pressed, and those who have not drawn their money out of the society lose all the money which they have paid in.

8189. (*Chairman.*) Do you mean that the number of people who will be ruined will not be very large?—I do not mean to say that a number of people will be positively ruined, but a great number may be injured.

8190. (*Sir M. E. Hicks-Beach.*) Did your answer mean that the large societies were able to do mischief in some peculiar way which the smaller societies could not do? or, that if a large society was ruined it would hurt more people than in the case of a small society?—What I mean is, that we have never had a case of a failure of a large society in Newcastle; we have never had a case of a winding-up.

8191. Then you would say that a large society was safer than a small one?—I should say so, provided that all goes on right. It is very difficult to define where danger commences, but I hold it to be dangerous that a quarter of a million of money should be lent upon security which has not received a legal sanction.

8192. What is your next point?—The next point which I would impress upon the Commission is, that these societies have entirely changed their character since the Act to which you have referred was passed. The definition in that Act of Parliament is, "Whereas certain societies commonly called building societies have been established in different parts of the kingdom, principally amongst the industrious classes, for the purpose of raising by small periodical subscriptions a fund to assist the members thereof in obtaining a small freehold or leasehold property, and it is expedient to afford encouragement and protection to such societies and the property obtained therewith." That is the preamble of the Building Societies' Act. Since the permanent system was established in our neighbourhood in 1851, the societies have entirely lost the character of protecting small freeholders; they are now large financial bodies, with a view to speculations in land and property of that character.

8193. Let me call your attention to the words, "or other real or leasehold estate," which might be taken to include land?—At first it was held that that did not include copyhold, but there has been a decision since which includes copyhold. Land *per se* is not included there. I take it that there must be a building upon the land, or otherwise the society cannot deal with it.

8194. You are aware, I suppose, that certain building societies connected with or acting as land societies, hold that land is particularly included in those words?—I am aware of that, but I have always held the opinion that by that a very dangerous risk is run; and it was with that view, in order to get rid of any difficulty of that sort, that the Northern Counties Building Society was established, to enable persons to get money to build with, the Freehold Land Society not being in a position to provide money to build with.

8195. Then you consider that the operations of

building societies have become very much more extensive than at first, and of quite a different character?—Yes. They are no longer what may be called philanthropic institutions, namely, for the working men, but have got into the hands of the middle class. They are now got up with the view to enable parties to buy properties on a very large scale. For instance, a manufacturer, whom I know very well, proposed to borrow 10,000*l.* from a society in order to build a number of cottages for his workmen. In another case, within the last few weeks, a party in Newcastle obtained a loan of 6,000*l.* to buy old property in a very central portion of Newcastle. Therefore I have always of late considered that these institutions are no longer institutions representing workmen, or small freeholders, or persons who want a house to live in themselves, but simply speculators or gentlemen of the middle class, who are anxious to buy property for purposes of general profit.

8196. Taking the operations of your Northern Counties Society, might it be said that no working men, or no considerable number of working men, obtain advances from that society for the purpose of building houses?—Just so, latterly they have almost ceased. When I tell you that a man takes 6,000*l.* at a time, you will see that he cannot leave very much for working men, because of necessity the subscriptions on the loans must be considerable, to enable the society to turn that 6,000*l.* Speaking in general terms, I should say that four-fifths of the business now done is in property completed, and not for sites for workmen who intend to build a house, and that theory is quite exploded and at an end. I should say that not more than one-fifth of the persons are persons who go deliberately with a site and plan, and who propose to build a house.

8197. But there was nothing in the Act of the 6th and 7th William IV. which said that an advance was to be made for the purpose of building, any more than of purchasing a house actually built?—That is true, but the words are very guarded; they are "for the purpose of enabling each member thereof to receive out of the funds of such society the amount or value of his or her share or shares therein, to erect or purchase one or more dwelling-house or dwelling-houses, or other real or leasehold estate." You could not construe a manufacturer getting 10,000*l.* as coming within that language. I discussed that question very fully with Mr. Tidd Pratt, and he never could understand why the original principle was departed from, and why, when it was departed from, the companies did not become limited liability companies with a view to speculation boldly; and that is my own opinion, and I have always entertained that opinion.

8198. (*Chairman.*) Has there been any change in the class of depositors or investors in these societies?—I think that there has been a great change. The great bulk of the depositors are not working people; they are chiefly females, anxious of course for a high rate of interest, and industrious tradesmen who save a little money, and persons in fact of every class.

8199. (*Sir M. E. Hicks-Beach.*) Would it surprise you to hear that we have had evidence before this Commission, to the effect that the working classes are very numerous amongst the investors and depositors in these societies?—It is not so in our part of the country. It is of course difficult to say in a large amount, taking an accumulation of, say in the Newcastle-upon Tyne Permanent Society, 240,000*l.*; but I should say that a very small proportion of that is a *bonâ fide* representation of the capital of working men.

8200. Have you any idea of what is the average amount standing to the credit of each depositor in that society?—I could not give an opinion upon that point.

8201. Or in your own society?—In my own society they vary. There are a few sums of 20*l.*, 30*l.*, and 40*l.*, and then they go as high as several thousands. I know one party who has some thousands there.

Mr. W. L.  
Harle.

15 June 1871.



Mr. W. L.  
Harle.

15 June 1871.

One family, I think, has about 10,000*l.* lent to the society.

8202. Considering the alteration of which you have spoken in building societies, what deduction can you draw from that as to any legislation which it is desirable to introduce?—The deduction which I draw is simply that there ought to be a change of the law, first to protect all this money; and secondly, that it should be no longer considered to be in the name of working people with a view to small freeholds, but that these societies should be boldly called institutions with a view to enable parties to invest their money in buildings, and to speculate in any way which they choose in the purchase of buildings. At present the whole thing is a sham, because they are societies established under the Friendly Societies' Acts with apparently a benevolent object, and in course of time they have changed their character, and have become purely speculative institutions. The working man's element being comparatively so small, it seems to me absurd to call them institutions for his benefit, because really and truly the bulk of the money, whether as shareholders or as investors, is the money of the middle class.

8203. Then you would consider that these large building societies should be placed in the position of joint stock companies, or companies of that nature?—Yes, that is my opinion. I think they should be simply considered institutions which men join with a view for their money to be lent at a high rate of interest, because 5 per cent. for deposits withdrawable upon six months' notice is a high rate of interest, and the parties who deposit their money there should know with their eyes open that that money is used for speculative purposes on a large scale.

8204. The only advantage which those societies now obtain from being registered as building societies, is the exemption from stamp duty, is it not?—Yes.

8205. Then you would remove that exemption?—I would; I took great interest in the question when Mr. Ward Hunt introduced the measure to tax building societies, that is to say, we prevailed upon him at last to make the maximum 500*l.*, and all those transactions below 500*l.* are now free from stamp duty; and I suggested to Mr. Dodds, in fact, that he should move for a return of the number of mortgages below 500*l.*, which would be a very valuable return for this Commission.

8206. Are you aware that in different parts of the country there are a considerable number of small building societies, mostly those on the terminating principle, which really carry out the original objects of building societies, and which therefore might fairly claim to be treated by the Legislature in the way in which they originally were treated?—Yes, supposing them to exist; but in our populous neighbourhood they do not exist. There are no small terminating societies established, they are all gradually absorbed by these great permanent societies. You will see in the history of the Newcastle society, which has existed for some 11 years, that in that we have absorbed a great many terminating societies.

8207. Supposing them to exist, do you not think that they might fairly claim that the exemption from stamp duty should be continued as respects them? The stamp duty on mortgages has been largely reduced; it is now only a matter of shillings, and I do not see any principle involved in it, and I think that it would be safer for the public and the parties themselves if they were treated like any other body.

8208. Even in the case of the small societies?—Yes.

8209. You do not attach any value to the feeling which these small societies may have that the State recognises and protects them?—I think that that is at an end, and that they have no feeling of that sort now. The whole matter is reduced to a few shillings. In our part of the country the small societies are gradually terminating, and I do not think that any more of them will be established.

8210. With reference to the exemption from stamp

duty, I think that the case to which you referred in the early part of your evidence was the case of *Walker v. Giles*?—Yes, that case was decided in the Court of Common Pleas. Up to that period stamps were regularly imposed upon deeds in accordance with the views of conveyancers. Solicitors never thought it safe to do otherwise.

8211. Do you know the date of that case?—It was about 20 years ago.

8212. Lord Chief Justice Wilde held in that case that "by the Friendly Societies Act, 10th George IV., chapter 56, section 37, bonds, securities, and assurances given on account of any friendly society are exempted from stamp duties; and by the Building Societies Act, 6th and 7th William IV., chapter 32, section 4, all the clauses and provisions of the former Act, and so far as they are applicable to the purposes of any benefit building society, are incorporated. Reading, therefore, the 37th section of the Friendly Societies Act as a part of the Building Societies Act, it would appear that bonds, securities, and assurances given in pursuance of the provisions of the latter Act, are not subject to stamp duties." That was the decision upon which the practice of exemption was founded?—Yes.

8213. From that decision it would appear that the exemption was not founded upon the 8th section of the Act of the 6th and 7th William IV.?—No.

8214. That section provides "that no rules of any such society, or any copy thereof, nor any transfer of any share or shares in any such society shall be subject or liable to or charged with any stamp duty or duties whatsoever"?—The late Mr. Wilson, I think, had it in contemplation to reimpose the stamp duty in different terms. I think that I expressed my opinion on three occasions, when the subject was mooted, but it came prominently before the public when Mr. Ward Hunt was Chancellor of the Exchequer, and then the whole question was discussed, and he compromised the matter by making the maximum 500*l.*

8215. What is the next point to which you wish to refer?—The next point is, that I think that there ought to be, as in banks, some clear and distinct account published of how the finances of the company stand. There are now public bodies to which parties go with deposits. You have had witnesses from the Birkbeck bank; that is a bank to all intents and purposes. I think that the public should know the state of that bank, as if it were a bank with limited liability.

8216. You speak of the public independently of the depositors?—Yes. Supposing that a depositor feels a little anxious about his money, it is right that he should be able to see at any time how the society stands as a public institution holding his money. That is the case with banks at present constituted under the Limited Liability Act. They are obliged, if I remember rightly, to make very full returns of their financial position.

8217. That society placed before us its annual report, which gives a very full return of its financial position, though probably not in the same form as a bank return?—Yes, but it is not so full as a bank return.

8218. Is not your point rather this, that a return should be made in a certain form?—Yes.

8219. You do not allege that full returns of a certain description are not already made?—No; of course they must make some sort of statement to their shareholders, but I have a very distinct recollection of the return for a limited liability bank, and I think that that is a very safe form if honestly adopted by a building society, and it would afford a great deal of information to their shareholders. Then I would draw attention to the fact that these societies are very great competitors with the banking interest, because with half a million of deposits, all used for one purpose, you may very well imagine that the banks lose a great many deposits for commercial purposes; they cannot afford to give the high rate of interest which these societies do.

8220. Why not?—Because they would say that they could not exist if they paid 5 per cent. for deposits, and charged  $4\frac{1}{2}$  per cent. for discounts.

8221. Is not a bank security better than the security of a building society?—That depends on the amount of confidence. We have no joint stock banks in Newcastle, except the National Provincial, all the others are private banks, and some of them discourage these societies very much, because they find them to be severe competitors for the deposits of the industrious.

8222. Have you any other point to bring before the Commission?—No, what I have stated are my principal views. I think that in any future legislation care should be taken of the people's money. In case of an emergency they could not rely upon it. There has been a decision lately (I think in the Doncaster case) that it is only the unadvanced members who are liable for the borrowed money of the society. If A. B. has borrowed 400*l.* of the society, and repays it, that is as much as he is expected to do.

8223. Does that apply to a society which has borrowing powers?—I fancy it would. I am not clear upon how that law would operate, in the Northern Counties Society for instance, but still I should see a difficulty there in making the deeds responsible. If I went for my deeds and paid my debt, I do not see how I could be responsible for the notes of the directors.

8224. That is because your connexion with the society would have ceased?—Yes, it would have ceased, supposing that I had paid the debt which I had incurred by borrowing the money, and for which I had deposited the deeds; there would be an end of it. Of course that money is available to pay the debts of the society when it is paid in.

8225. You have stated something with regard to the times at which promissory notes were first introduced?—They were introduced in 1851, when this society was established, or within about two years after that.

8226. Are you aware that a pamphlet was issued by the Lords of the Treasury in 1838, entitled "Instructions for the establishment of benefit building societies, with rules and forms of mortgage applicable thereto," which includes a rule for borrowing, and the form in which trustees should borrow money?—I was not aware of that. Was that document circulated freely at the time?

8227. It was published for gratuitous distribution?—I do not remember seeing it. I have no recollection of a document of that kind; but at all events the money was lent very timidly in the early stages; and within the last two years, since the discussions in the Court of Chancery, money has not been so easily got by societies on deposit.

8228. In evidence which has been previously given to us, I find that we have had the last balance sheet of the Northern Counties Society put in, and that from that balance sheet the figures were quoted: "Due upon loans, 94,094*l.*; due from memoers upon mortgages, 138,997*l.*" The proportion which the loans bear to the mortgage debt is 67·7; so that that society slightly exceeds the proportion allowed by the rules?—Yes, I have no doubt that if at any given time you struck a balance, you might find the amount to be over. They do not carefully and religiously strike a balance at each loan.

8229. (*Mr. Richards.*) In answer to a question put by Sir Michael Beach, did I rightly understand you to suggest that future legislation should make provision for legalising moneys borrowed up to this time?—I do not see any objection to it on principle; if people are willing to lend, they do it with their eyes open; they do it upon the best security which they can get. At present it seems to be done illegitimately; there is a plan adopted which will not bear the light—legal light I mean.

8230—1. Do you think that future legislation should provide for legalising what has not been done legally, that is to say, that there should be *ex post facto* legislation?—No, I think that the societies should strike a line and should begin again. I think that they

should pay their debts, and put the whole thing on a proper basis, and let the people understand on what principle they are lending their money.

8232. You have spoken of deposits not coming in freely in the last two years?—Yes.

8233. Is it not the fact that the large societies in the north of England, in Newcastle and Leeds, have such a plethora of money that they are competing very closely for means of laying out their money?—That is not the case in Newcastle at present. I think that they are all borrowers; they have not such a plethora of money. A change has occurred in consequence of the Sunderland cases, and also in Gateshead there are three unfortunate cases on a small scale; a secretary became a defaulter in two or three societies, and the exposure in connexion with his defalcations led to a good deal of anxiety on the part of the lenders of capital.

8234. In your experience, since 1838 how many societies have come to grief?—For the first 10 years, namely, from 1838 to 1848, many societies were wound up without courts of law, and under circumstances which were partially disastrous to themselves. Since then there have not been so many; they have been better managed.

8235. Speaking of half a million being deposited, how much capital would be involved in the societies which have failed since 1848?—I am not aware of any which have failed in Newcastle since 1848.

8236. Or in the north of England?—In Gateshead a good deal of anxiety has arisen, and also in Sunderland.

8237. Then what was the mischief which you said you apprehended from the large societies, in answer to a question put by Sir Michael Beach?—The mischief which I apprehended was, that in case of a panic, or in case of a defalcation by officers, the societies had no means of paying their debts; and at this moment a great many parties both in Sunderland, and in Gateshead, are waiting for their money.

8238. But the practical effect has been that no more societies have failed except one?—I think that in Sunderland two or three, and in Gateshead two or three, are now in course of adjustment.

8239. Do you think that if there had been facilities for a speedy winding-up, more societies would have taken advantage of legislation in that direction?—I think so. At present there are no means of settling the point as to the different classes of shareholders. The expenses of going to Chancery are so great, that parties would rather make any sacrifices than do it, and I have advised several members of the Gateshead societies to do so rather than have litigation.

8240. Do you think that there are a large number of societies both in Gateshead, and in the north of England, which are in an insolvent state, but which fail to take the necessary steps to wind themselves up?—I should not like to commit myself to that proposition. I should not like to say that they are positively unsound, but I think that there is a good deal of anxiety in several of them. It is not expressed, but parties are anxious in regard to their loans, and they have given notices in many instances to recall their loans, and I know that the societies have asked in many cases for time to repay the loans.

8241. Then, in your opinion, have the loans been made upon property of a dangerous character?—In some cases the money has been badly advanced, and in other cases a deficiency has arisen from the defalcations of an officer.

8242. If the principle upon which Building Societies were originally established under the Act of the 6th and 7th William the Fourth had been strictly observed, do you think that there would have been any insecurity in the working of these societies?—I think not to any great extent. There was a little jobbing in the old times on the part of the inspecting officers, who were generally builders or dealers in bricks. The directors made advances in favour of parties who bought bricks of them. I think that that was the case in the older societies, but in those days there

*Mr. W. L.*

*Harle.*

15 June 1871.



Mr. W. L.  
Harle.  
16 June 1871.

could be no danger, if care was taken to have sufficient security for the money advanced, because they only advanced the money which was subscribed by members; they did not borrow money.

8243. Then the danger would be very much lessened by the system of terminating societies?—Unquestionably; terminating societies only advancing the money which they themselves subscribe; then the mischief is only amongst themselves, the outside public who lend the money are no parties to their transactions. It has often occurred to me with reference to the evil which would arise in case of panics, and in case of great distress in the neighbourhood, that if the calls of shareholders were not paid, then, if the parties called in their money, a good deal of difficulty might arise even in these large societies. My own opinion is, unless the Legislature took care to see it published very clearly, these societies should not borrow more than one or two months in advance, then it is quite clear enough. One or two of our bankers who are favourable to these societies, sometimes allow them to go three months in advance.

8244. (*Mr. Bonham-Carter.*) Are you aware that one of the applications from these societies to the Legislature is in favour of maintaining the concession on the matter of stamp duty when the sum received does not exceed 500*l.*?—That is the law at present.

8245. Would you still retain that exemption?—No, I would not; I think that it is unimportant; the stamp duty on mortgages is now so light that I do not think that it was worth while making it a matter of exemption.

8246. Supposing that the exemption from stamp duty were retained, would you make any alteration in the application in that particular case? At present the mortgage is for a larger amount than the man actually receives, so as to cover interest as well as principal, and he is obliged to pay, say, 600*l.* although he does not receive 600*l.*?—Yes.

8247. Supposing that you still retain the stamp duty on 500*l.*, and exempt it on sums below, would you make any difference on that account?—I would make it payable only on the amount actually received, and not on the artificial amount.

8248. How would you effect that?—I would take the receipt on the back of the deed as the test of the amount which the man received, because men never sign a receipt for more than they get.

8249. Your objection to the present state of the law as especially favouring this class of societies, is that the Government gives them an undue advantage in competition with another commercial class, namely, bankers?—Yes. Speaking on grounds of political economy, that is an advantage for which I do not see any principle, inasmuch as they are no longer benevolent societies, or what is contemplated in the Friendly Societies Act, but simply speculative institutions for the investment of money in the purchase of buildings.

8250. Supposing the principle to be admitted, as governing legislation, that a certain class of societies should have certain advantages in order to encourage saving habits, would you so entirely change the whole system in order not to sanction what you call the speculative institutions, as to exclude from the advantages hitherto given, that class of societies which did for a certain number of years act consistently with what was the original intention of the Legislature?—So far as my experience goes, that section is so very small that it is not worth consideration. Perhaps sitting here you have a larger view over the whole country than I have, but I should say that that section is so trifling that it is not worth consideration. I do not believe that building societies are now working men's institutions.

8251. Supposing the result of our inquiries is to show that 10 or 20 per cent. of the societies are really of the working class body, would you subject them to the alteration of the system, in order not to sanction a speculative investment, which was not the

original intention of the Legislature?—It is so unimportant that I really would not make any exception. I would make them all alike.

8252. You would bring them all under the Joint Stock Companies' Act?—Just so. The saving to the working men is so trifling that it is not worth while for the Legislature to draw a distinction. You could not very well define it, excepting by amounts, and I think that it is not worth while to draw the distinction.

8253. Being acquainted with these Acts, can you state shortly what would be the different status in which, as regards the exemptions and other advantages which they now possess, these societies would be placed, if they were to be under the Joint Stock Companies Act?—In the first place, a man would take a share according to his means, and he would pay upon that share, instead of, as is now the case, if you now join a gas company or a water company, paying up at once, he would pay by instalments, and the transaction would be very much the same as under the Friendly Societies Act. Then again, the party advancing the money would advance it boldly to a company which had the power to borrow a certain amount, like a railway company, or a gas company, or a water company. All companies, as you are aware, have a certain power to borrow a given amount with regard to their transactions, and why should not that power be applied to building societies?

8254. Is the status of a society, and of the members in relation to the society, under the Joint Stock Companies Act, more restricted with regard to the advantages conferred by legislation, than in the case of those which are now enjoyed by the benefit building societies?—I think not at all. You join a company, and it forms its own laws, and if they are not inconsistent with the general law of the country you can do as you like.

8255. Do the advantages which are conferred by the Friendly Societies Act differ materially from those which are enjoyed under the Joint Stock Companies Act?—I think not, excepting the freedom from stamp duty, and that it is done in the name of philanthropy instead of commerce.

8256. With regard to the settlement of disputes, how is that managed?—You can have a clause in the deed for the settlement of disputes.

8257. But it is not obligatory under the Act?—No; but these arbitration clauses, I think, are never used.

8258. Then you do not think that the withdrawal of those arbitration clauses would affect those societies very materially?—I do not. Law is now very cheap in the County Court, and any company with a view to protecting themselves could be dealt with more cheaply, and more easily there, than under the arbitration clauses.

8259. A member of a joint-stock company holding shares can sell his shares?—He can.

8260. But can he withdraw?—You can give him the power to withdraw, that is entirely a matter of internal regulation.

8261. Under the existing Act, I apprehend that a shareholder in a joint-stock company can relieve himself of his liability by a transfer?—Precisely so.

8262. But in a building society he can relieve himself of his liability directly without a transfer, by being paid off?—He can be paid off, but I am not prepared to say that he would not be liable in the Court of Chancery, if that society went under the Winding-up Act. That question has never arisen, but all those questions are open to discussion.

8263. But the two modes of proceeding are different?—Yes; a man can now get out of a building society by withdrawing his money with a small rate of interest, and he gets out of it; but I see no difficulty in that being done in a joint-stock company, if it is made a matter of internal regulation. Since these societies have become permanent, they have borrowed and have assumed quite a new character as regards the public, and there I think that the Legislature should

protect the public. When I say the public, I mean those who have lent the money innocently in the belief that it has been lent safely.

8264. That is to say, that the Government should exact from the societies certain returns, and should subject them to certain liabilities?—Yes, and that the lender should know the terms upon which he has advanced his money, and the character of his security; at present he does not know what security he has.

8265. From your experience in the north of England, I apprehend that you would admit that notwithstanding the precautions taken by the Government in respect of joint-stock companies, they still do fail, and that the shareholders suffer?—But they do not get borrowed money; they only fail *inter se*. Nobody lends them money.

8266. So far as regards those parties for whom the protection was intended, which I presume was for both the shareholders and the public, whatever the publications of the state of the company may have been, yet, notwithstanding that, there have been very great losses?—Yes, in certain cases of course. I think that there should also be perhaps an audit of some description. I do not mean to say that Government, or Parliament should be responsible for all these concerns, which is sometimes meant by a Government

audit, but I think that there should be a little more formality in looking into the accounts of the societies.

8267. Is not there a danger that, in all cases where the Government are supposed to take precautions, they are charged with a much greater amount of responsibility, and that people act upon that belief when the Government are not really undertaking it?—I admit that that is so to a certain extent, but you will observe that now several of the societies are employing accountants as auditors in order to obtain confidence; that is a step in the same direction. I admit the extreme difficulty which there is in getting any public or government auditor to audit accounts of this description, and I am not much disposed to rely upon an authority of that description.

8268. (*Chairman*.) Are there any other points to which you wish to draw our attention?—I think not. I think that I have stated my views with regard to all these societies, and I hope that I have made myself clear to the Commission.

8269. Do you think that it would be desirable to establish any distinction in legislation between the different classes of societies?—I think that the day having gone by for treating them as philanthropic or benevolent institutions, they should be simply treated as matters of business for all classes.

The witness withdrew.

Adjourned.

Thursday, 22nd June, 1871.

PRESENT:

THE RIGHT HON. SIR STAFFORD H. NORTHCOTE, BART., C.B., M.P., IN THE CHAIR

Sir M. E. HICKS-BEACH, Bart., M.P.  
JOHN BONHAM-CARTER, Esq., M.P.

EVAN MATTHEW RICHARDS, Esq., M.P.  
CHARLES SAVILE ROUNDELL, Esq.

FRANCIS T. BIRCHAM, Esq.

Mr. C. D. ARNALDO FRIEDLEIN examined.

8270. (*Chairman*.) I think that you have given attention to the subject of building societies?—Very much so.

8271. And you have published two short pamphlets upon the subject?—I have.

8272–3. Will you kindly tell us what opportunity you have had of forming an opinion upon the subject?—This little book will inform you. I have been instrumental in forming a very large society in Australia, where I have been living very much amongst your countrymen for the last 20 years. When I went out there, I found a great many building societies. I was struck with their inequality, and I made a war with them through corresponding with the papers. I was very often warned by my friends that it was a very dangerous thing to fight them single-handed, as there were several millions of money involved in the matter, and that I should make a great many enemies. I said, “Very well, if I make enemies, the time will come when I shall make a great many friends.” It is a little more than five years ago, that I was successful in inducing one society to start upon my principles, and this year I received the quinquennial report of their proceedings, which says, “Your committee, in presenting their fifth annual report, are gratified in being enabled to state that it is the most satisfactory which they have had the pleasure of bringing before the shareholders. The success of the society, as

“tested by its annual income, during the five years of its existence, has surpassed that of any similar institution in Great Britain or the colonies.” This society was intended to be established only as a tradesmen’s association, and by the contribution of 1s. every fortnight.

8274. What is the name of the society?—The Victorian Permanent Property Investment and Building Society. 1s. every fortnight was to be the contribution. I put myself into correspondence with the secretary, and told him that he had a most important affair in his hands, and I offered him my assistance. He said that certainly he would be glad to have my assistance, but that the expense would be high, and that small tradesmen who were concerned could not afford such expense. I said, “Do as I tell you, and you will find that your society must become a national institution,” and after five years he presented his balance sheet in which he shows that the unpaid principal of loans on freehold securities is 192,109*l*. Now I think that this shows a most brilliant success. In the actuarial report the actuary is kind enough to mention my name; he says, “The gross amount of unpaid principal was 192,109*l*. 13*s*. 2*d*. This amount of unpaid principal was calculated from the tables constructed for the society by Mr. Friedlein after I had tested them, and found that the error in no case exceeded one farthing per

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Harle.

15 June 1871.

Mr. C. D. A.  
Friedlein

22 June 1871.



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22 June 1871.

"share. I made a duplicate by independent measures " which produced similar results." That is the actuary's report. I most seriously protested even against this error of a farthing, as of course such a difference, as I told them, would arise through the actuary having been above or under the limits of exactness in the fundamental calculation. Now this shows I have given attention to this subject, and I trust that you will believe that I am qualified to discuss the matter. Since I have been in this country, having been successful in one way, I have paid attention to some of the societies here. I addressed certain gentlemen connected with building societies, directing their attention to the fact that the societies were not managed as they ought to be; they were kind enough to take no notice of my communication, but I continued going over the matter. I have here analyses of different societies. My attention has principally been directed towards permanent building societies, because terminating building societies I daresay we may consider almost obsolete. Societies which charge no interest whatever, such as Bowkett societies and so on, exist to a very trifling extent, and it is not possible to make an analysis of them, as they have no basis but chance. But amongst the permanent building societies we have two classes, one of which is on the mutual principle, and which to a certain extent, I should say, is the most adapted to carry out, as I take it, the views of government, to have societies established for the benefit principally of the poorer classes; and certainly if those societies enjoy certain privileges, it was not to give room for extensive monetary establishments and usurious profits. The mutual building societies start upon the plan that the borrower pays and the investor receives exactly the same rate of interest, each of them bearing a competent part of the charges or working expenses. Now they are wrong to a certain extent, inasmuch as a perfect mutuality never can take place. Most of them are established upon what they call the 5 per cent. principle. Now if a man is to receive 5 per cent. interest upon his monthly contributions, and if every three months he has to pay an extra  $7\frac{1}{2}d.$  for working expenses, whatever it is, he certainly does not receive 5 per cent. interest; and the borrower likewise, in paying his instalments to repay the capital with 5 per cent. interest, and every three months  $7\frac{1}{2}d.$ , pays more than 5 per cent. interest. It is never possible to arrive at a perfect mutuality. The borrower must always pay a higher rate of interest than the investor receives, on account of the working expenses. However, the difference of per-centage is not very great. We have a table which is extensively used, namely, Theodore Jones's. His tables are correct, with the trifling error of 2s. 6d. in the beginning, to the disadvantage of the borrower. They are, however, materially in fault in charging to the borrower 1l. 16s. 10d., or something of the sort, which is the amount an investor will be charged at the end of 14 years. When the borrower receives his loan, the 1l. 16s. 10d. is at once deducted. Now if these working expenses are deducted at once, he ought to have an allowance for the money which has been deducted from him of one-half, as money invested at 5 per cent. will double itself in 14 years or thereabouts. That is the fault in Theodore Jones's tables. A really mutual society has been lately established in Aylesbury, and that is the only one which has come under my notice. There no fixed stipulation is made for a contribution to the working expenses, but every year a balance sheet is made, and as they find the profit or loss to be, it is apportioned to both the borrowers and investors. Those are the mutual societies. Now mutual societies never can do a great deal of harm. The others I would call "Free permanent building societies," because they can do what they like; and what they do is to get as much as possible out of the borrower. If the investors receive a high rate of interest, it stands to reason that the borrowers pay it. We must admit that there are some extra incomings, such as fines,

and money for the sale of rules, and in some instances there are deposit accounts. But I have traced and analyzed these societies, and they are never satisfied with the profits which they would get at moderate rates of interest. Now the pamphlets which are before you, gentlemen, contain an analysis of the A. Permanent Land and Building Society. This analysis which is before you is based upon an advertisement in the paper. They offer 50,000l. for sale, charging a certain premium, which they do not receive, but which they carry to the account of the borrower, professing to charge only 5 per cent. interest. Now I consider that to bring this in this form before the public, is not what a really good society ought to do. It cannot be known by simple calculation what is the real interest which is to be paid. I daresay, gentlemen, that you have found in the first pamphlet that the rate of interest would be from 7' 33 to 7' 68.

8275. I am not quite sure that I understand this statement at page 6 of your pamphlet. Did the society put out a notice that the monthly instalments, calculating the interest at 5 per cent., would be for 100l. 1l. 14s. 6d., for six years; 1l. 7s. 6d., for eight years, and so on, as you have it on that page?—Yes. The advertisement says, "All tenders of not less than 5s. per share of 30l. will be accepted. This will be 16s. 8d. per cent. per annum. At this rate of premium, the following will be the monthly payments for an advance of 100l., and include principal, premium, and interest, the interest being calculated at 5 per cent. on the balance each year."

8276. I follow all that, but what I want to know is, whether when you turn the page this first entry, "Monthly instalments for 100l. in six years 1l. 14s. 6d., in eight years 1l. 7s. 6d.," and so on, is a part of their advertisement?—It is so.

8277. And is what follows your deduction from it?—Yes. Consequently receiving 72 instalments of 1l. 14s. 6d. would give a rate of interest of 7' 68, and so on.

8278. (*Mr. Bonham-Carter.*) This rate of interest is received by the society?—Yes, the lowest rate is 7' 33, and the highest 7' 68. I will afterwards show you how it is that in almost all societies you will find the same thing—a variation in the rate of interest—and that for a short period the interest is always higher than for a longer one. It would be far better that such societies should state that they charge 7' 33 per cent. But what is the consequence? If a loan is taken, the man receives only 100l., but he will be debited in the books with 112l. 10s., and be charged 5 per cent. interest on the 112l. 10s.; it is charging interest on 12l. 10s. which he has never received. At the end of the first year the amount owing will be 107l. 5s. 6d. That must be evidently wrong; because the borrower has paid 12 instalments, which consist partly of capital and partly of interest, he cannot owe therefore more than what he has received. The real rate of interest is 7' 33 per cent. He ought only to be debited with what he has received, namely, 100l. cash, and at the real rate of 7' 33 per cent., and then we find that at the end of the first year he owes only 96l. 2s. 5d..

8279. (*Chairman.*) I want to understand how it is that you get at that 112l. 10s. at the beginning of the first year?—It is not difficult to understand it, but if you will be kind enough to read the advertisement it may be understood. All the advertisements, and all the rules of building societies are, generally speaking, in a cloud, and it is difficult to understand what is really meant by them.

8280. Do you take that 112l. 10s. from their statement, or is it a calculation of your own?—It does not require a calculation, because it says here distinctly, "This will be 16s. 8d. per cent. per annum." Now 16s. 8d. 15 times over makes 12l. 10s. 0d.

8281. But you speak of the beginning of the first year?—Yes.

8282. Do not you mean the end of the first year?—No. The man received 100*l.*, and he has agreed to pay 16*s.* 8*d.* per cent. per annum premium for the whole currency of the loan. Now 16*s.* 8*d.* 15 times over makes 12*l.* 10*s.* 0*d.*

8283. But is he to be charged with that at the beginning of the year?—Exactly so, at the same time he receives 100*l.* cash, and he is debited with 12*l.* 10*s.* 0*d.* for premium.

8284. That is for premium in advance?—Of course.

8285. Do you mean if he received this 100*l.* on the 1st of January 1871, and he repaid the money the next day?—No. We look upon it that the loan is contracted, and carried through for the 15 years.

8286. Then what is the meaning of saying that the borrower's debt at the beginning is 112*l.* 10*s.*? I quite understand in the other column that at the beginning of the year the debt is 100*l.*, because that is what he receives, and at the end of the first year you deduct the amount which he has repaid, and you deduct the amount for interest, and you therefore arrive at the sum of 96*l.* 2*s.* 5*d.*, but I do not understand how you begin the first year with 112*l.* 10*s.*?—If you look at the 15th year, you will see that it dwindles down, and that at the beginning of the 15th year, he owes 10*l.* 1*s.* 11*d.*; he would owe 10*l.* 8*s.* 11*d.* by my account. That shows the correctness of the account, because by charging 5 per cent. interest, capital, premium, and interest are paid. Now if I started with a wrong capital I could not come at the 15th year to the right amount.

8287. What authority have you for saying that at the beginning of the first year the debt would be 112*l.* 10*s.*?—Because it is according to their rules. They say "You need not pay the premium, but you are charged with the premium."

8288. Therefore if he repaid the debt the very next day the premium would still have to be repaid?—No, they have a rule in which they say that if a man redeems before his time they will make him a certain allowance, but what the allowance is they do not state.

8289. According to this table, supposing that a man wished to redeem at the beginning of the fourth year, what would he have to pay?—He would be shown in the books as owing 96*l.* 0*s.* 6*d.*

8290. And would he be able to redeem at that price?—Most decidedly, he would be entitled by the same rules to redeem for less, because it is said that if he redeems before the time an allowance shall be made for the premium charged, but they do not say what amount, which is unsatisfactory, as I shall afterwards show.

8291. This calculation which you have given in your pamphlet, and which is headed "By the societies' terms, debiting the premium and charging 5 per cent. on the balance each year," is your calculation?—Yes.

8292. And it is not contained in the society's statement?—Most decidedly not, but the second column shows how the society's accounts ought to be kept. By the balance sheet they show a tremendous amount for what they call a reserve fund for the possible repayment of premiums. Why is it so? It only makes the accounts confused, so that nobody can understand them. I will prove to you how very clear the errors are. This is with respect to the A building society; they show in their last balance sheet of 1870, what I consider to be expenses, that is to say, money which does not return again at 8,900*l.* odd; accidental income, such as fines, entrance fees, &c., 2,900*l.* odd—thus about 6,000*l.* would be absorbed by working expenses. Their last dividend was 7 per cent., I believe, if not more. Now if they charge only 7*·*68 to 7*·*33 they can hardly incur those expenses, and pay a dividend of 7 per cent.; and from this I come to the conclusion that they must have made it from over-estimating the outstanding loans. Now I say that there is a great hitch. There is another point. The society may possibly have the most equitable rates of

interest upon which they base their instalments, but a borrower coming into difficulty will be charged a higher redemption value than what justly can be charged. If he takes a loan, say for 10 years, and agrees to pay 2*l.* every month, a mortgage deed will be given for it. Now the practical effect of this mortgage deed will be equivalent to giving 120 promissory notes of 2*l.* monthly. If he pays those 120 promissory notes, of course he discharges both capital and interest. Now if those promissory notes should contain, say a rate of interest of 8 per cent., when the borrower comes into difficulty of course his property will be sold off. Ought not the present value to be found at the same rate of interest as that at which the loan was granted? But they do not do that, they allow a lower rate of interest to redeem voluntarily, and a still lower rate of interest if redemption is compulsory. Mr. Scratchley takes by his rules power to go so low as 3½ per cent. Now 8 per cent. might not be called exorbitant for building societies to charge to their borrowers. But I will take it only at 7 per cent. Mr. Scratchley has a certain rate which comes out at 7*l.* 12*s.* per cent., and he takes power to redeem at 3½ per cent. What is the consequence of this? If a man redeemed immediately after he had contracted the loan, he would be fined 27 per cent.; he would have received only 100*l.*, but must repay 127*l.* At the beginning of the second year he would be fined 25 per cent., then 23 per cent., 21 per cent., 19 per cent., and so on. Now this must certainly be unfair, because as long as building societies are under the cloak of friendly societies, I should say that they ought to act in a friendly way towards their own members. It certainly cannot be considered a friendly act, that when a person through losses has been unable to keep up his instalments, a building society should step in and say, "We take the remainder by over-charging you." Now in the A building society they charge a premium which they debit to the borrower, but there is another kind of premium, namely, that you have to pay a certain instalment, and the premium is deducted from the advance. Now they may come forward and say, "Our instalments are calculated at 5 per cent., and if you go into the calculation it will be really 5 per cent." But they likewise say, "Except a small premium." Now these premiums are never published, but they are made a matter of individual arrangement in every loan; it may be 5 per cent., it may be 6 per cent., or it may be 10 per cent., and the societies thereby not only over-reach the borrowers, but they get themselves into a muddle, and they do not know how they stand themselves, inasmuch as if I undertake to lend a borrower 100*l.* with one hand, and if with the other hand I at once take 10 per cent. from it, my outlay is certainly only 90*l.*; and if I have calculated my instalments to pay me 5 per cent. upon the borrower receiving 100*l.*, my rate of interest is increased if I give him only 90*l.*, and receive the same instalments. Some building societies, as, for instance, this B society, show the premium which is deducted from the borrower as a cash receipt at first, and these societies get into a great muddle. Now the B society mention in their rules that they have retained an eminent actuary, Mr. Arthur Scratchley; he is their actuary, he signs all their balance sheets, and so on, and I trace to Mr. Arthur Scratchley that he leads all the building societies into this mischief. He mentions that the deduction is for working expenses for the whole currency of the loan; but if I pay 10*l.* for the working expenses of my loan, which is to extend perhaps over 15 or 20 years, when 10*l.* is spent in the very same year in which it is received by the society, of course the income is greatly anticipated. They ought to show the unpaid instalments at a far higher rate of interest. Assuming that they have lent 100*l.* upon the consideration of a certain instalment, but have given only 90*l.*, they make really a higher rate of interest. It cannot be allowed that they can consider this premium a cash profit, because it is only realised gradually, during the whole currency of the loan, and only at

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22 June 1871



Mr. C. D. A.  
Friedlein.

22 June 1871.

the conclusion of the transaction are they in a position to enter into a similar transaction.

8293. Do they as a matter of account treat these premiums as annual income, and expend them all in the year?—They do as I show here—I refer to the B society—in their last balance sheet they show premiums received during the year, they call it “commission,” 8,458*l.* 6*s.* 3*d.* There are also some small incomes which bring the figures up to 11,533*l.* 7*s.* 3*d.* On the other hand, with one stroke of the pen, without any explanation except the words “expense fund,” they have 11,153*l.* 3*s.* This is the amount swept away for expenses, and there remains for contingent fund, or what ought to be extra profit, over and above the interest charged to the borrower, only 400*l.* 4*s.* 3*d.* Now in my manuscript I have analyzed how this premium would come in. I say, though we are warned against erroneous estimates of the present values, by deducting a commission, and assuming that we have lent 100*l.*, we are directly led into committing a very grave error, through which any society acting upon the principle must from the very beginning be considered as resting on a rotten basis. Let us examine a five-years’ loan granted at 7·02 per cent., 1*l.* 19*s.* 5*d.* per month under a deduction of 5 per cent. commission. The first usurious consequence is that the rate of interest is thereby at once elevated to 9·35 per cent., a fact well deserving attention, to show the result of the application of the principles of compound interest and annuities. The societies, looking upon this 5*l.* commission as a direct profit, and considering

that they have lent 100*l.* in full, of course can only calculate their present values at the full rate of 7·02 per cent. (the principles of deducting working expenses, and reducing the rate of interest not being applied) whilst to obtain a correct result, we have to pay attention to the circumstance that in fact we have lent 95*l.* at 9·35 per cent. interest. The present values will stand thus:

Present values of a five years’ loan repayable at  
1*l.* 19*s.* 5*d.* per month.

£100 at 7·02 per cent.

£100.	Paid off.
82·618	17·382 at the end of 1st year.
64·017	18·601           2nd   ”
44·110	19·907           3rd   ”
22·805	21·305           4th   ”
	22·805           5th   ”

£100·000

£95 at 9·35 per cent.

£95.	Paid off.
79·238	15·762 at the end of 1st year.
62·001	17·237           2nd   ”
43·152	18·849           3rd   ”
22·541	20·611           4th   ”
	22·541           5th   ”

£95·000

And putting the present values against one another

at 7·02 per cent.

at 9·35 per cent.

	79·238 over-estimation	of present value at the end of 1st year	3·380
82·618	62·001	”	2nd   ” 2·016
64·017	43·154	”	3rd   ” ·958
44·110	22·541	”	4th   ” ·264

And if we deduct from the yearly payment of instalments, namely, 23*l.* 13*s.* (the monthly instalment of 1*l.* 19*s.* 5*d.* multiplied by 12), the yearly paid off amounts successively, namely, 17,382*l.*, 18,601*l.*, and

compare the two different per centages, we shall find the proportion of the 5*l.* commission as it ought to come in year by year in the shape of interest

Over-estimation of profit as above.

At the end of

at 7·02 per cent. at 9·35 per cent.

	7·888 proportion for 1st year	1·620
6·268	6·413           2nd   ”	1·364
5·049	4·801           3rd   ”	1·058
3·743	3·039           4th   ”	·694
2·345	1·109           5th   ”	·264

£5·000

1st year.	2nd year.	3rd year.	4th year.
1·364	—	—	—
1·058	1·058	—	—
·694	·694	·694	—
·264	·264	·264	·264
3·380	2·016	·958	·264

Whilst if the commission is considered as a direct cash profit, possibly the whole (if a commission is taken just at the close of the year) is shown as profit in the balance sheet, to the deterioration of all the subsequent years the loans have been granted for. If this view be correct it would appear that the B. Permanent Building Society, by balance sheet, April 1870, have anticipated this proportion of the yearly income on the large amount of 553,297*l.* 5*s.* 4*d.* present value of existing mortgages.

8294. Then the effect of this would be that, according to their system of calculation if a man required to redeem the loan at any particular time, they would call upon him to pay too much to redeem it?—Yes; this way of doing business is very dangerous, because I daresay that I have satisfied you that considering the premiums which we have deducted as a *bonâ fide* hard cash profit, which is spent in the same year as expenses, if the society at a given time desire to wind up, the question arises where are the expenses to come from? They must come out of the capital.

8295. Unless they have any reserve fund?—Yes; they show a reserve fund, I believe; but how they construct the reserve fund, I do not know, because it must be borne in mind that Mr. Scratchley lays down in his work in different directions how

a balance sheet is to be formed, that the rate of interest must be stated, but you never find such a thing in the B. society. Now, with this way of not stating the rates of interest, if these societies are enabled to do that, though they may be thoroughly rotten, they will still show you that they have perhaps 200,000*l.* reserve fund. A certain instalment at the rate of 7·59 will be paid, but if they show it at a lower rate than that at which the loan was contracted, then they will show an erroneous balance. Mr. Scratchley takes power to charge 3½ per cent. for redeeming, and so he might only charge 3½ per cent. for the purpose of his balance sheet. In my manuscript I refer to “Observations on the law of building societies,” page 146, which reads:—“The redemption and foreclosure clauses should be framed with great care, so as to define the exact mode in which the amount to be claimed of a borrower in redemption of his mortgage shall be calculated;”—that is what Mr. Scratchley says. Then I say, Notwithstanding the suggestion on page 146, I confess I cannot from Mr. Scratchley’s rules define the exact mode;—and at all events no clear definition as to the rate of discount has been aimed at, as on page 101 it states “not exceeding 3½ per cent.,” and on page 105 “not lower than 3½ per cent. This was to be fixed by the con-

sulting actuary, and not by a rule; it was to be left altogether to the actuary. What right of option the consulting actuary has in fixing the exact rate of discount, I cannot understand, as this is one of the fundamental points, and which ought to have the serious consideration of the manager, and the directors at the establishment of the society. Leaving out of the question the option of the actuary to fix the rate, at all events pages 101 and 105 give the right to fix it at  $3\frac{1}{2}$  per cent.; let us now consider what will be the redemption values year by year of a 14 years'

loan, which is the most favourable for a redemption, the clear rate of interest charged being for monthly repayment, 7·591, and for quarterly repayments, 7·950,—the interest for all the other terms being higher would put the redeemer yet in a more unfavourable position. We offer now the comparative table, interest calculated monthly, though pages 101 and 105 require it yearly; however we shall find that, if any difference arises out of the different ways of calculation, the redemption fee required is so large that we need not to stand upon trifles.

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22 June 1871.

## PRESENT VALUES.

Of Monthly Payments of 18s. 1d.		Difference or Redeeming Fee.	Of Quarterly Payments of 27. 18s. 9d.		Difference or Redeeming Fee.
At 7·591 per cent.	At $3\frac{1}{2}$ per cent.		At 7·950 per cent.	At $3\frac{1}{2}$ per cent.	
100	127·037	27·04 per cent.	100	129·990	29·99 per cent.
95·751	119·850	25·17 "	95·856	122·637	27·94 "
91·176	112·412	23·29 "	91·382	115·025	25·87 "
86·254	104·714	21·40 "	86·553	107·148	23·79 "
80·958	96·746	19·50 "	81·339	98·995	21·71 "
72·260	88·499	17·59 "	75·711	90·556	19·61 "
69·129	79·964	15·67 "	69·635	81·823	17·50 "
62·533	71·130	13·75 "	63·077	72·783	15·39 "
55·437	61·986	11·81 "	55·997	63·427	13·27 "
47·802	52·522	9·87 "	48·354	53·744	11·15 "
39·587	42·728	7·93 "	40·104	43·722	9·02 "
30·749	32·591	5·99 "	31·197	33·349	6·90 "
21·239	22·098	4·04 "	21·583	22·613	4·77 "
11·007	11·239	2·11 "	11·204	11·501	2·65 "

and these exorbitant redeeming fees are payable on exorbitant present values.

8296. If I rightly understand you, your criticisms divide themselves very much in this way. In the first place you say that the prospectuses deceive the borrowers as to the amount of interest which they really pay; that, while they are led to suppose that they are only paying 5 per cent., they are really paying 7 or 8, or it may be 9 or 10 per cent. Secondly, I understand you to say that the mode in which the repayments are made is such that, if a loan is to be redeemed at any period during the currency of the loan, the borrower will have to repay a larger proportion than according to a proper calculation he ought to repay?—Exactly so.

8297. Thirdly, I understand you to say that the borrowers pay too large an amount of interest, and that they contribute a larger amount than it is fair that they should do to the working expenses of the concern; that they might get the money cheaper and on better terms than those on which they received it. And fourthly, I understand you to say that the system of carrying the premiums which are received at the commencement of a loan to the account of income is a bad one, and makes the accounts of the society fallacious, because they are treating as income in the first year what ought to be spread as income over the whole period of the loan?—Exactly so.

8298. Are those the principal points to which you wish to allude to?—Yes; allow me to call your attention to the C building society. That society, by its published prospectus, seems to be a most equitable one. The C building society seem by their rates to be the most accurate society that I have had the pleasure of meeting with since I have been in England, because they are calculated with the greatest mathematical accuracy. They give exactly  $7\frac{1}{2}$  per cent., and charge no commission. I was very anxious to get their rules and their balance sheet. I had a great deal of trouble to procure them, and I told the person whom I had commissioned to procure them for me, that I had a particular interest in seeing them, because if I could only find one society set forth honestly, I should be satisfied, and I believed that I had found here the Simon Pure. But when I look to it, I find that there are redemption tables, in which it is very distinctly shown that they must be working upon

unsound principles; because there is their own calculation of what they require from people after the first year. I produce this paper, which shows that after payment of first year's instalments the amount due by the borrower is greater than at the commencement of the loan. Now by discounting instalments not yet due at a rate of  $6\frac{1}{2}$  per cent. that makes all the difference, and after a man has paid his instalments for 12 months, it will be found that he still owes more than 100*l.*, which for instance is the loan he originally received. That shows the difference of calculating the instalment at one per-centage, and the redemption at another per-centage. This is the C society, which is a good society, but they are wrong in their redemption tables. When the borrower cannot pay up, they then become usurers. Now this ought not to be admitted as long as societies stand in any way under the protection of government. Why cannot it be laid down as a rule that they should say: "We lend money at such a rate and allow redemption at such a rate?" I do not believe that in equity any contract is considered as valid, when it is positively shown that there is an ignorance of the facts on one side, and of what one party made himself answerable for, and when it can be shown that the advantages are all on one side, and all the disadvantages on the other. It is a very difficult thing to analyse thoroughly an old society like the B society, which shows you a reserve fund, and it is very difficult to trace where it comes from, but when we have a chance of analysing the balance sheet of a society which has existed for only one year, we can tell them that this balance sheet is positively falsified, and, we may say, with malice prepense. I refer to the D Society. The president of that society—a peer—says in his report, "In our first year we had more members, and had advanced more money on better security than any other benefit society in England." He "was perfectly astonished when he first saw the report and balance sheet, and if the business continued to be carried on in the same way as during the past year, he said, there was every prospect of a most successful future." Now, his lordship was astonished, but I only feel astonished how there could be an individual who could believe in that balance sheet, because the misstatements are so glaring that it is beyond conception. They show that having



Mr. C. D. A.  
Friedlein.  
22 June 1871.

lent out during the whole of the first year 8831l., they made over and above interest payable to investors in that year 575l. 19s. 6d. But, unfortunately for them, the balance sheet contains on the one side 800l. 15s., premiums on advances. Now, as I demonstrated before, this 800l. 15s. premiums cannot be considered as a *bonâ fide* profit made in the first year, to be taken over to profit and loss. And, unfortunately for them, I can prove that, instead of having made 575l. 19s. 6d. profit, they have made a loss of 224l. 15s. 6d., less a fraction on the premiums of 800l. 15s. 0d.; and in order to analyse this balance sheet it is not necessary to have the slightest actuarial knowledge. The most simple book-keeper could understand this matter. I analyse the account, and I take out all those items, and leave only the items which belong to interest. I have taken out all the items, except those from which profit or loss may be derivable.

8299. Why do not subscriptions properly come into an account of profit and loss?—Because if a man pays he gets credit for it, and if he does not pay he does not get credit for it.

8300. What are subscriptions?—The subscriptions of the shareholders. A shareholder, say, makes himself liable for 10s. a month; if he pays, he gets credit for it, and if he does not pay, he does not get credit for it.

8301. The concern is being carried on upon certain principles, one of which principles is that the subscriptions shall be paid?—Yes.

8302. When you wind up at the end of the year, and see how your balance sheet stands, you must take the subscriptions on the one hand as the receipts, and your expenses as the disbursements; and if you find that your receipts exceed your disbursements, you say that you have realised a profit, though it is not a profit commercially?—I beg your pardon. I have a paper here which will exemplify a correct statement.

8303. When you have spoken of the correctness of this report, I find that it contains a statement of the income and expenditure for a certain year, and the first item which I see on the side of income is, “subscriptions, 2,942l.” Do you say that it is not proper to enter those subscriptions as part of the income of the society?—Most decidedly, it is incoming money, but in a profit and loss account we must take into consideration only those items by which a profit or a loss can possibly be made.

8304. Will you point out the statement in the report to which you allude, in which they claim a profit over and above interest allowed to investors?—It is here, (*produces report*): “The balance of “profit and loss account, after writing off one-sixth “of all preliminary expenses, amounts to 575l. 19s. 6d.”

8305. You say that that ought not to be called profit and loss?—Yes.

8306. Supposing that in the report, instead of saying “the balance of profit and loss account,” it had been said “the balance of income and expenditure account,” you would not have objected to it?—I should, most decidedly. It is wrong in either respect, because this 800l. was not received; there was less money lent out.

8307. You say that, instead of putting on the expenditure side, “Advances to members on mortgage 8,831l,” it should have stood at about 8,000l.?—Yes.

8308. Supposing that it had so stood, how would it have affected the profit and loss account? If you struck out 800l. from each side of this account, it would leave the balance the same?—Yes; the cash balance would be the same, but the profit and loss balance would be as I show it—a loss.

8309. Why?—I show it here exactly (*producing statement*). I take out all those items, and show a loss where they assume a profit.

8310. Will you put in that statement?—Most decidedly. (*See statement annexed.*)

STATEMENT as to the D SOCIETY referred to in answer to questions 7557, 7564, 7565.

The D Building Society, December 1869 to December 1870.

No. 1.

Dr.	Profit and Loss.				Cr.				
		£	s.	d.			£	s.	d.
To rent - - - - -		40	0	0	By survey fees - - - - -		7	17	6
„ interest - - - - -		28	4	4	„ entrance fees - - - - -		67	18	6
„ salaries, wages, directors' fees, agents - - -		246	0	8	„ passbooks and rules - - - - -		15	2	5
„ 1/6th preliminary expenses - - - - -		27	16	0	„ fines - - - - -		26	7	1
					„ balance being loss, less a fraction of 800l. 15s. 0d. premiums - - -		224	15	6
		£342	1	0			£342	1	0

8311. (*Mr. Bonham-Carter.*) In the pamphlet which you have published, in page 7, you state that in that particular instance a borrower's debt for a loan of 100l. for 15 years is, according to the terms of that particular society's advances, to be taken at 112l. 10s. at the beginning of the 1st year. Am I to understand you that that 12l. 10s. is the sum of all the premiums of 16s. 8d. for 15 years added together?—Exactly so.

8312. That is to say, that the borrower of 100l. receives 100l. less 16s. 8d.?—I beg your pardon, he receives 100l. cash, and he is debited with 12l. 10s. commission, so that altogether it is 112l. 10s.

8313. He is debited with 12l. 10s.?—Yes. In a commercial concern 100l. would stand to his debit on the cash book, and this 12l. 10s. would stand in the commission account. The 12l. 10s. goes to the debit of the borrower, and to the credit of the commission account.

8314. But he receives 100l. cash?—He does, but still its operation afterwards is that he is charged in

the very first year 5l. 12s. 6d. interest, that being the interest on the 100l. and on the 12l. 10s. Looking at this way of calculating the interest,—it is shown by the second pamphlet,—you will there find that the last payment comes out exactly the same in the 15th year. I flatter myself that it was owing to my pamphlet that they reduced their premium. It is 3s. for every 30l. instead of 16s. 8d.

8315. (*Chairman.*) What is the meaning of these words, “All tenders of not less than 5s. per share of “30l. will be accepted.” What is meant by a tender of 5s. per share of 30l.?—I likewise would like to know what is the meaning of a sale of 50,000l. I did not know that money was sold, but they always advertise selling money. That is one of their rules. They say that they have always plenty of money. I believe that they have more than 180,000l.

8316. What is the meaning of the expression “a tender of 5s. for a share of 30l.”?—Unfortunately now they have 180,000l. for which they cannot find bor-

rowers, but on the supposition that there are more borrowers than they have money for, they always have a certain stipulation at which they will lend out their money, as in this instance at 5s. for 30l. Now, if anyone is very needful of money, he goes there and says, "I will give you 5s. 6d.," and he has the preference.

8317. He gives the 5s. 6d. for what?—The premium per year on 30l.

8318. Let us keep to the 30l. Supposing a man says, "I want to borrow 30l., what is he expected to give for it? Does he give 5s.?—No, he receives 30l., and he is debited 5s. commission.

8319. Is he debited with it once for all?—Yes.

8320. He takes it for 15 years?—Yes.

8321. Then he is not called upon to pay 5s. for every one of those years?—I beg your pardon. Yes. For 15 years 3l. 15s. is carried to his account for his commission.

8322. That is to say, that he is at once debited with that amount?—Yes. Here is an extract from their rules, where they show what will be their instalments at different premiums per share.

8323. This is their own putting out?—Yes, and here I analyse it. A man is considered as if he had received 100l., and in the case of redemption, voluntarily or compulsorily, they always act upon the principle as if he had received 100l. Allow me to impress again upon you that it is a most mischievous consequence, for the borrower has not received that sum; he has only received 87l. 10s., but it is considered that he has received 100l., and he must pay upon 100l.

8324. (*Mr. Bonham-Carter.*) The 12l. 10s. in the first item in page 7 of your pamphlet is supposed to represent the sum of 16s. 8d. paid yearly for 15 years, but the present value of 16s. 8d. for 15 years at 5 per cent. is very little more than 9l.?—It would be perhaps only 6l. 5s. 7d. You say 16s. 8d. payable every year.

8325. 16s. 8d. paid at the beginning of the first year, and on the first of every subsequent year, up to 14 years—that is to say, 15 payments—the present value of that would be rather more than 9l.?—I should say at a guess that it would not be quite half of the 12l. 10s.; it would not be 6l. 5s. You have misunderstood me. It is not to be understood as 16s. 8d. payable for 15 years at the beginning of every year; it is to be considered as 16s. 8d. per annum charged at once.

8326. (*Chairman.*) Without any deduction?—Without any deduction.

8327. It is just 15 times 16s. 8d.?—Yes. It is not payable every year, but they charge 16s. 8d. for every year that they grant the loan.

8328. Do you find in any of their papers these sums put together—this 112l. 10s. and so on?—No, they will not show it to anyone.

8329. In one of the papers which you handed to me they do show it?—Yes, it is the C. case. The C. Society does it, and all other societies do it more or less. I am not much known, I am hardly known by anyone, but still I know that some societies have got hold of my name. Of course I did not go to any of the societies for information, but I have my agents, and I send them to make certain inquiries, but they are always bamboozled, and the question is put, "Do you want a loan?" If you want to analyse a society, you must have the whole statement before you, but that it is altogether impossible, and they are very careful what they put into their rules and their small books. The A. makes some allowance upon redemption, but what, they do not state.

8330. You draw up this table on page 7 of your pamphlet, in order to show what a borrower's debt for a loan of 100l. for 15 years would stand at any given time?—Yes.

8331. And you state that, by the society's terms, debiting the premium, and charging 5 per cent. on

the balance each year, it would stand at the beginning of the first year at 112l. 10s.?—Yes.

8332. Upon what grounds do you state that it would be so by the society's terms? Is there anything in the terms of the society which says so in so many words?—Yes, the advertisement on page 5 states so; it is the A. Society.

8333. That paragraph to which you draw my attention says nothing about what the borrower's debt would stand at, at any particular time when he wished to redeem?—Most decidedly not.

8334. Then I want to know whether anywhere in the prospectus, or elsewhere, you find any table of that sort?—No.

8335. Then what you state is your inference from what they have stated?—Yes, and, still more, the societies themselves must make it so. I would defy that society, or anybody else, to make it in any other way; it is impossible to make it in any other way, as I show by my second analysis. If you do not start at 112l. 10s., it will not come out. It cannot be done in any other way, and if you will turn to the second analysis, you will find that the 15th instalment in their books, and in this calculation, stands at the beginning of the 15th year at 10l. 8s. 11d., and this is a proof that their account cannot be correct.

8336. But the point is, whether they anywhere state that?—They do not.

8337. It is only your inference?—When certain mathematical data are given in order to solve the question, there is only one answer to meet the case.

8338. It is perfectly clear what this society charge per month in order to get the loan repaid, but as I understand, they make no stipulation with the borrower as to the terms upon which he may redeem?—No, but they say that they make an allowance of the premium charged.

8339. I see that they do state in their prospectus that the premium is not required to be paid down, but that it is treated as principal and so on, but they say that on early redemption of the advance an amount is allowed?—But they do not say what they will allow.

8340. That is to say, that they would not call upon a man to pay off the amount which you have stated here?—Yes, and that condition was not known to me when I wrote that pamphlet, and was not referred to in their advertisement.

8341. Therefore when you said, "that the society by its terms would be entitled to a very high redemption value in the case of failure on the part of the borrower," you were not aware of that statement?—I was not; but they do not state what it is; it is all in the hands of the society; they can charge him what they like.

8342. I suppose that they would deduct upon the same principle as that upon which they had added in the first instance?—I do not believe that they would. These accounts are so complicated, that no accountant need be ashamed to say, "I do not understand anything about those things, because they are actuarial accounts." Only a few days ago I was assisting at a meeting for the purpose of establishing a new building society, at the office of some very large accountants in the City. One of the partners was the chairman, and when I wished to give an actuarial explanation I asked, "Is there any actuary present?" and the answer was "No." I said, "Have you no actuarial knowledge?" and the reply was "No; I am only an accountant." Now, if an accountant's business is considered a profession, and if the public at large are not considered accountants, then among the public at large there must be very few persons who have actuarial knowledge, and are aware in a transaction with these societies what they are made liable for; hence a certain control on the part of Government will bestow a great benefit upon a large portion of the population.

Mr. C. D. A  
Friedlein.

22 June 1871





# APPENDIX.

## APPENDIX A.

MEMORANDUM by the SECRETARY to the COMMISSION on the RETURNS made to the HOUSE OF COMMONS "of the NUMBER and NAMES of BENEFIT BUILDING SOCIETIES registered to the end of the year 1869, such " return to show the number and value of the shares, together with the number of subscribing members " in each Society; also capital subscribed, capital paid up, and amount of money borrowed and lent by each " society, showing how secured, whether by promissory notes of the trustees or by mortgage."

In order to apprehend the bearing of the following remarks, the process by which the returns were obtained, and were alone obtainable, must first be understood.

No single register of benefit building societies exists, nor any central repository of records concerning them. But the Registrar of Friendly Societies for England, acting on his own construction of the statutes relating to the subject, has been in the habit of forwarding to the Clerks of the Peace for the respective counties, one of the two transcripts of the rules which he receives, the other being returned to the society. These transcripts are enrolled by the respective Clerks of the Peace, and it is from their enrolments only that a list of building societies can be obtained. The process followed has therefore been:—1st. To apply to the Clerks of the Peace for schedules of the enrolments of building societies in their respective counties; 2d. To issue the form of return

selected to the societies named in the schedules. The observations which have to be made divide themselves therefore under two heads: 1st, as to the schedules themselves; 2d, as to the individual returns.

1st. As to the schedules from the Clerks of the Peace.

These exemplify in a striking manner the unsatisfactory character of any system of merely local registration unchecked by a central authority. The schedules (which should have been transcripts of the rolls themselves) are made out in no less than 12 different forms for England, and 4 for Wales, which might again be subdivided, according as they distinguish or do not distinguish between original enrolments and subsequent ones, (*i.e.* of alterations, changes of trustees, &c.) The following table exhibits these variations:

MODE in which RETURNS of BUILDING SOCIETIES have been made by the CLERKS of the PEACE for the COUNTIES in ENGLAND.

Bedfordshire	-	-	-	} Name of society.
Peterboro', Liberty of	-	-	-	
Wiltshire	-	-	-	
Berkshire	-	-	-	
Cambridge	-	-	-	
Cumberland	-	-	-	} Name of society. Name and address of secretary.
Derbyshire	-	-	-	
Essex	-	-	-	
Gloucester	-	-	-	
Hereford	-	-	-	
Leicester	-	-	-	} Societies in which alterations of rules have only been enrolled.
Lincoln, Lindsey	-	-	-	
Norfolk	-	-	-	
Notts	-	-	-	
Oxford	-	-	-	
Shropshire	-	-	-	} Name of society. Date of enrolment. Name of secretary.
Somerset	-	-	-	
Southampton	-	-	-	
Suffolk	-	-	-	
Surrey	-	-	-	
Yorkshire, E.R.	-	-	-	} Name of society. Date of enrolment. Name and address of secretary.
Durham	-	-	-	
Westmoreland	-	-	-	
St. Albans, Liberty of, Herts., (not signed by C. P.)	-	-	-	
Northampton	-	-	-	
Sussex	-	-	-	} Name of society. Where established. Date of enrolment.
Yorkshire, N.R. (not signed by C. P.)	-	-	-	
Monmouth	-	-	-	
Yorkshire, W. R., (Amendments, additions, and alterations of rules, new trustees, new rules, and appointment of managers)	-	-	-	
Devonshire	-	-	-	
Warwick	-	-	-	} No. Name of society. Name and address of secretary. Date of enrolment.
Bucks	-	-	-	
Dorset	-	-	-	
Lancashire	{ (with alterations, amendments, trustees, new secretaries, officers, &c., additional rules, removals)	-	-	
Middlesex		-	-	
Cornwall	-	-	-	} Name of society. Where held. When established. Name of secretary.
Worcester. (Particulars derived from rules in C. P.'s office.)	-	-	-	
Lincolnshire, Kesteven (only one society)	-	-	-	
Stafford. (Remarks, and amendments and alterations of rules)	-	-	-	
Kent	-	-	-	
Cheshire	-	-	-	} No. Date of enrolment. Name of society. Where established. Name and address of secretary.
Northumberland. (Alterations and amendments)	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	



MODE in which RETURNS of BUILDING SOCIETIES have been made by CLERKS of the PEACE for the COUNTIES in WALES.

Carnarvon	-	-	-	} Name of society. Name and address of secretary.
Glamorgan. (Amendments. rules.)	-	-	-	
Montgomery	-	-	-	
Carmarthen	-	-	-	} Name of society. Date of enrolment. Name and address of secretary.
Flint	-	-	-	
Anglesea. (Additional column for remarks. Not signed by C. P.)	-	-	-	} No. Name of society. Name and address of secretary.
Denbigh. (Name and address of Secretary at time of enrolment.)	-	-	-	
Merioneth	-	-	-	
Pembroke	-	-	-	No. Name of society and date of enrolment. Name of secretary. Observations.

It appears impossible, in consequence of the variations in the schedules, to deduce from them with accuracy even so much as the number of building societies, (including, it must be remembered, land societies, which, until the passing of the Limited Liability Act, were always certified as building societies), enrolled since the commencement, some of the

schedules being apparently simple lists of societies, others transcripts of all entries on the rolls relating to them. Reckoning each entry as a separate society, the two first columns of the following table would give the result of the schedules in this respect :—

#### BUILDING SOCIETIES IN ENGLAND.

County.	No. of Societies.	When first certified.	When last certified.	Number of returns.
Bedfordshire	29	—	—	3
Berkshire	6	—	—	5
Bucks	17	1844	1867	5
Cambridge	—	—	—	1
Cheshire	103	1837	1869	13
Cornwall	4	1840	1850	—
Cumberland	3	—	—	3
Derbyshire	10	—	—	5
Devon	29	—	—	11
Dorset	9	1846	1865	3
Durham	73	1864	1869	34
Essex	50	—	—	16
Gloucester	18	—	—	6
Hereford	—	—	—	—
Herts	16 including 3 in liberty of St. Albans	1843	1868	8
Huntingdon	None	—	—	—
Kent	23	1842	1870	39
Lancashire	1900	1837	1860	362
Leicester	17	—	—	9
Lincoln	14	1843 (probably)	—	9
Middlesex	2018	1842	1869	235
Monmouth	22	1839	1869	11
Norfolk	15	—	—	7
Northampton	12	1850	1869	6
Northumberland	56	1839	1869	24
Nottingham	6	—	—	3
Oxford	2	—	—	—
Peterboro', Liberty of	—	—	—	—
Rutland	None	—	—	—
Shropshire	18	—	—	2
Somerset	36	—	—	15
Southampton	38	—	—	13
Stafford	140	—	—	26
Suffolk	19	—	—	6
Surrey	217	—	—	47
Sussex	39	1843	1869	13
Warwick	74	—	—	14
Westmoreland	8	1850	1867	2
Wiltshire	7	—	—	3
Worcester	52	1850	1867	12
Yorkshire, N.R.	17	1840	1866	} 61 and returns of 2 societies now extinct.
"    W.R.	263	—	1869	
"    E.R.	2	—	—	
Total	5,594	—	Total Returns with name of county omitted	1,038
				2
				1,040

#### BUILDING SOCIETIES IN WALES.

County.	No. of Societies.	When first certified.	When last certified.	Number of Returns.
Anglesea	4	—	—	1
Carmarthen	3	1861	1865	1
Carnarvon	34	—	—	19
Denbigh	7	—	—	5
Flint	1	1865	—	1
Glamorgan	74	—	—	23
Merioneth	2	—	—	2
Montgomery	1	—	—	—
Pembroke	2	1862	1863	2
Brecon	None	—	—	—
Cardigan				
Kadnor				
Radnor				
Total	178	—	Total	54
Add England	5,594	—		1,040
	5,772	—		1,094

But the total number of entries for Middlesex must be diminished, as will hereafter be shewn, by — 22  
And the entries of alterations, for the four only schedules which both indicate such alterations, and are on the whole reliable,\* amount for

Lancashire to	-	-	-	472
Middlesex	-	-	-	1,070
Stafford	-	-	-	39
York, W. Riding	-	-	-	110
				1,713

Which, deducted from the total for England and Wales of — 5,772  
1,713

Gives for the maximum number of societies enrolled since the commencement — 4059

Subject to the above corrections, it appears that the six English counties in which the largest number of societies have been founded, comprising all which have had over 100, are—

Lancashire	-	-	-	1,428 societies.
Middlesex	-	-	-	927 "
Surrey	-	-	-	217 "
York (West Riding 158, N. 17, E. 2)	-	-	-	177 "
Cheshire	-	-	-	103 "
Stafford	-	-	-	101 "

And that the two Welsh counties in which the largest number have been certified (being the only two which have had over 10) are—

Carnarvon	-	-	-	84 societies.
Glamorgan	-	-	-	74 "

whilst Cambridgeshire in England, Montgomery and Flint in Wales, stand at one society each, and Huntingdon and Rutland in England, Brecon, Cardigan, and Kadnor in Wales, have none at all. The connexion which the above figures indicate, between the building societies' movement and manufacturing or mining industry, is very apparent.

It will appear from the third column of the foregoing table (although, as above observed, it cannot be considered as exhaustive, many of the schedules being dateless), that societies were certified in Cheshire and Lancashire from the very year after the passing of the Act (1837), that they were introduced into Monmouth and Northumberland in 1839, into Yorkshire perhaps not before 1840, and only reached the metropolitan counties of Kent and Middlesex in 1842. Somewhat strange to say, Durham does not seem to have had one before 1864.

2nd. As to the returns from the societies :

No record whatever existing of the dissolution of societies, it is obvious that, whilst it was necessary to issue the form of return to all societies named in the county schedules, it would necessarily be the case that a large number of such societies would be found to have been dissolved or otherwise become extinct, and a further large number must have disappeared altogether. On the other hand, no compulsion being available to secure the coming in of the returns, it would also be a moral certainty that many societies would never send them out again. As a matter of fact, the first witness examined before the Commission, Mr. James Higham, secretary to an important metropolitan society, states that he has never received a form of return, either

\* The Northumberland return indicates alterations in two early entries, but seems to offer internal evidence of this detail having been subsequently neglected.

That for Surrey contains the incomprehensible note, that for certain societies designated with a †, "alterations of rules only have been enrolled," and this seems to be borne out by the entries.

for his present society, a permanent one, or for the three terminating ones which preceded it. On the other hand, it is equally certain (as will be sustained further on in the case of Middlesex) that in many instances several forms of return were issued to the same societies.

From the last column of the foregoing table it will be seen, that the total number of returns of some kind or other received is, for England - - - - 1,040  
for Wales - - - - - 54

Total - 1,094

or somewhat less than one-fifth of the entries.

From Cornwall and Montgomery no returns by societies have been received.

From the above figure must be deducted at least 63 for societies which appear to be extinct, and 5 for societies now winding up, leaving a total of 1,024 returns from existing societies. If the common estimate of existing building societies at 2,000 be correct, returns will have been received from half and something more. Only two counties send in over 100 returns, viz.:

Lancashire - - - - 362  
Middlesex - - - - 235

It must however now be observed that, for reasons which will better appear hereafter from a special analysis of the Middlesex returns, the only part of the returns which can be at all relied on, is the column relating to the number of members, and even this is doubtful. The resolution upon which the form of return has been framed appears to have been drawn up by some one who had very indistinct ideas as to the constitution of building societies. Hence the form has for column heading, "No. of subscribing members." Now many building societies distinguish between "subscribing," and "borrowing" members, or again between both these and "depositing" members, and the likelihood that in certain cases the "borrowing" members at least have been altogether omitted from the returns is indicated by a return such as that of the "Woolwich Equitable," which giving the number of subscribing members at 174, adds, "Borrowers, who are also members," 355. In other cases (as those of two societies at Chorley, Lancashire) no numbers at all are given.

The following table gives the total number of members as returned by the societies:

#### 1. ENGLAND.

Name of County.	No. of members in Permanent Societies.	No. of members in Terminating Societies.	Total No. of members.
Bedfordshire -	203	213	416
Berkshire -	1,081	None	1,081
Bucks -	296	285	581
Cambridge -	716	None	716
Cheshire -	1,503	545	2,048
Cumberland -	807	None	807
Derbyshire -	760	55	815
Devon -	3,037	None	3,037
Dorset -	77	None	77
Durham -	1,699	3,572	5,271
Essex -	1,038	641	1,679
Gloucester -	2,386	None	2,386
Hampshire -	1,419	539	1,958
Hereford -	130	None	130
Herts -	230	550	780
Kent -	{ 4,621 355 }	1,994	6,970
Lancashire -	37,286	9,181	46,467
Leicester -	4,695	151	4,846
Lincoln -	152	350	502
Middlesex -	35,534	17,062	52,596
Monmouth -	341	68	409
Norfolk -	115	None	115
Northampton -	301	None	301
Northumberland -	1,074	914	1,988
Nottingham -	88	None	88
Oxfordshire -	368	291	659
Shropshire -	390	None	390
Somerset -	3,990	None	3,990
Stafford -	3,032	476	3,508
Suffolk -	1,436	None	1,436
Surrey -	2,301	4,809	7,110
Sussex -	1,159	418	1,577
Warwick -	5,726	38	5,764
Westmoreland -	None	138	138
Wiltshire -	660	None	660
Worcester -	546	None	546
Yorkshire -	41,464	1,198	42,662
Total -	161,016	43,488	204,504

#### 2. WALES.

Name of County.	No. of members in Permanent Societies.	No. of members in Terminating Societies.	Total Number of members.
Anglesea -	340	None	340
Carmarthen -	None	185	185
Carmarvon -	1,466	511	1,977
Denbigh -	1,883	None	1,883
Flint -	48	None	48
Glamorgan -	1,149	1,806	2,955
Merioneth -	38	89	127
Pembroke -	None	74	74
Total -	4,924	2,665	7,589
Do. for England -	161,016	43,488	204,504
	165,940	46,153	212,093

But it must now be observed that some returns obtained by the London Building Societies' Protection Association, which have been supplied to the Commission, contain the names of 61 societies, numbering together 46,419 members, which have made no returns to the Home Office, and which would carry the total of members to 258,542; whilst the same returns furnish evidence of the misunderstanding above alluded to, which has taken place in respect to the column, "No. of subscribing members," eight Birmingham societies, which return only 4,778 "subscribing members" to the Home Office, giving in the private returns the number of their members as 10,532, or more than double. A comparison of the public and private returns shows that no less than five London societies with 1,000 members and upwards have made no returns, viz.:

The Temperance Permanent - - - 10,000  
Planet - - - - - 7,500  
Monarch - - - - - 3,000  
Perpetual - - - - - 2,882  
London and Westminster - - - 1,150

In the provinces:

The Auckland Union Permanent (Durham) - 1,850  
and the Derbyshire Permanent - - - 1,141

are equally wanting, as well as the whole group of the Newcastle-upon-Tyne societies, 6 in all, and numbering 4,887 members, which have made returns to the Association.

Again, whilst the number of members of terminating societies returned from all Yorkshire to the Home Office appears from the above table to be only 1,198, the statistics for Sheffield only, supplied by Mr. Allott, a witness before the Commission (see p. 224 of Evidence), give the number as 3,570, or more than double that figure.

It must not be inferred from what has just been said, that the returns supplied by the Building Societies Protection Association are themselves to be considered as complete,—though perhaps as respects the larger permanent societies, they are more so than the Government returns. On the contrary, the evidence taken before the Commission has shown that there were in existence various large and flourishing societies, or groups of societies, which were not noticed in these returns.\*

It is thus impossible to come to any definite conclusion even as to so simple a fact as the total number of members of building societies; but the estimated number of 1,000,000 perhaps does not overshoot the mark.

The entirely unreliable results of the Home Office returns as respects the other matters directed to be included in them, will perhaps best appear by the following analysis of the returns from Middlesex, the county supplying the largest number of entries, and with Lancashire the largest amount of detail respecting them:—

\* The following comparison for Sheffield between the Building Societies' Protection Association returns, and Mr. Allott's statistics, will show the insufficiency of the former:

	No. of Societies.	No. of members.	Amount to credit of investing members.	Amount due on deposits.	Amount owing by borrowers.
Building Societies' Protection Association.	14	2,016	76,412	121,804	227,698
Mr. Allott's statistics -	40	6,253	407,343	501,293	1,047,713

Indeed Mr. Allott's own society, the "Sheffield and South Yorkshire," the largest in the town, is not included in the returns of the Association.



## OBSERVATIONS ON RETURNS from Benefit Building Societies for Middlesex.

The total number of entries in the schedule from the Clerk of the Peace is - - -	2,018
To which add for No. 186a - - -	1
	<hr/> 2,019
But deducting "1,755 to 1,774 inclusive, no rules for these Nos." - - -	20
No. 1,676, "entered in error" - - -	1
And No. 571, which is referred to from No. 578, and seems evidently the same - - -	1
	<hr/> 22
There will remain - - -	1,997
These comprise, of alterations of various kinds, including not only those of rules, but changes of officers and removals - - -	1,070
	<hr/> 927
Leaving, societies founded - - -	927
(N.B.—This figure is probably slightly excessive, as in one instance certainly (No. 79, see 20, 48) an entry of rules must be of an alteration only)—	
The number of returns from existing societies sent in is 163, or rather less than one-fifth of the total number of societies - - -	163
To which however must be added—for societies which appear to have been dissolved, broken up, or wound up (at least 22 appearing to have been terminable societies which had regularly run out their course) - - -	61
Societies now winding up - - -	5
Return which appears to have been addressed to a wrong secretary - - -	1
	<hr/> 235

Making in all, of societies accounted for, 18, or rather more than one-fourth.

(7 returns are sent back, no information being available; 2 appear to have been directed to bodies which are not building societies.)

Considerable carelessness appears to have been shown in sending out the returns.

e.g., Mr. Edward Coleman returns the sheet for the "Eastern Mutual Building and Investment Society" with this note:

"This society (for which I have received five of these forms) was closed six years since."

The same gentleman returns the sheet for the "Poplar and Limehouse Benefit Building Society" with a similar note indicating still greater want of care:

"This society (for which I have received six of these forms) was closed seven years since."

Mr. C. T. Peck returns two identical printed forms for the "Second North London Mutual Benefit Building Society," both filled up.

Mr. Joseph Farmer sends back three printed forms for the "South Hackney Mutual Benefit Building Society," having only filled up one.

It has already been observed, that the form of this return is not by any means well adapted to bring out the facts in reference to building societies, and it has consequently been frequently misunderstood.

For instance, the two columns "capital subscribed," and (do.) "paid-up," which would be of essential value in reference to a joint stock company, where the share is a permanent value, and the unpaid subscriptions are therefore a definite asset, has scarcely any meaning in reference to a building society, where the share ceases to exist on withdrawal, and where, consequently, the only capital consists of subscriptions received. The following are instances of some of the mistakes which have arisen from this misapprehension:

The "National Guardian" states the capital "subscribed" as 966*l.*, and the "paid-up" as "two." Evidently here "two" means simply shares paid up in full; but the 966*l.* is as clearly money actually received, as making up, together with 87*l.* borrowed, nearly the amount lent, 1,900*l.*

The "Third St. Pancras" simply fills up the columns in question as follows: "All shares subscribed, no paid-up shares," giving no figures.

The "Fifth Rock" fills up only the first column, thus:—

"Subscriptions - - -	£7713 7 11
"Interest on do. - - -	2047 3 11
	<hr/> £9760 11 10

The "Tredegar" gives, for the amount of capital "subscribed" 3,350*l.*, and "paid-up" 7,100*l.* This again evidently refers to the distinction between subscribing

and paid-up shares, and the two sums together form the capital, as will be seen from the figures of "money borrowed," 13,136*l.* and "amount secured by mortgage," 24,532*l.*, &c. 6*d.* which is nearly equivalent to the sum of the other three.—So the "General Mutual" has, "subscribed capital," 969*l.*; "paid-up," 3,385*l.* (See also the "Commercial Union.")

The "Kilburn Permanent" gives no figures, but only a note: "The capital is the amount advanced by the society, and secured by the title deeds of the properties, and is therefore, variable."

The two columns for "money borrowed" must equally have been misapprehended in several instances, from there being no mention of deposits. This is indicated by the return from the "Effra," which, for "money borrowed" returns "none," but appends a note: "There was on the 15th December, 1870, due to depositors who are, or have been, almost exclusively members, 3,453*l.* 19*s.* 1*d.*," showing clearly that deposits did not present themselves as a form of loan to the mind of the compiler.

The three columns for "money lent" also show ignorance of the real conditions under which building society business is carried on. They consist of "total amount," and "amount secured by mortgage," in "advances on houses," and "advances on land" respectively. But the "amount secured by mortgage" to a building society is often quite different from the "amount lent," i.e., when it includes premium and interest. The "total amount" again has evidently been variously construed, sometimes apparently as meaning the whole amount lent out from the beginning of the society. What is really required is the balance due on mortgage advances. As instances of the various constructions put upon this return, the following may be selected:

The "General Mutual" gives for the "total amount" of "money lent," 2,759*l.* 5*s.* 6*d.*; and for the "amount secured by mortgage," "advances on houses," 3,720*l.* Evidently here the second figure must mean the first, plus interest and premium. So the "East and West Moulsey, Hampton, and Thames Ditton," gives for "total amount" lent, 1,969*l.* 15*s.* 10*d.*, and bills of advances on houses as follows: "3,465*l.*, less amount paid off. Balance due, 2,064*l.* 7*s.* 11*d.*, with interest." The "Carlton Permanent," gives for the "total amount," 56,628*l.*, and for "advances on houses" and on "land," 68,883*l.*, and 7,508*l.* respectively, "including interest." (See also the "Athenæum," the "Metropolitan and Suburban," the "Borough of Finsbury.")

The "Dalston and Kingsland" leaves the column "total amount," blank, and fills up "advances on houses" with 2,375*l.* 3*s.* 7*d.*: many other societies do the same, and many fill up both columns with the same figure.

The "Highgate, Hornsey, and Stoke Newington" fills up the three columns respectively as follows: "Total amount," 21,135*l.*; "advances on houses," 21,015*l.*; "advances on land," 120*l.*, adding, "since the commencement of the society;" and as a further note, "15,995*l.* now in course of liquidation." So again, the "Stepney Permanent" says: "18,175*l.* has been advanced, but 13,632*l.* 11*s.* is the amount now remaining due." The "West London Permanent Mutual" in like manner construes the "total amount" as meaning "from commencement of society," (See also the "Simplified.")

The "Effra" seems to confine the "total amount" to existing mortgages; "about 8,700*l.* on mortgages now existing"; inserting in the next column: "The balance owing by borrowing members on 15th December, 1870, was 6,602*l.* 17*s.* 7*d.*"

The above instances are all taken from the returns of the Permanent Societies, which are comparatively clear and consistent as contrasted with those of the Terminating ones.

A group formed of Starr-Bowkett Societies only, will exemplify the prevalent misapprehensions.

1st, as to capital:—

		Capital.	
		Subscribed.	Paid up.
17th Starr-Bowkett -	-	"Society not limited as to number of shares."	2,846 <i>l.</i> 3 <i>s.</i>
19th " - - -	-	"7 <i>d.</i> per week on each share."	22 <i>l.</i> 0 <i>s.</i> 0 <i>d.</i> "but a number are in arrear."
37th } " - - -	"No actual capital, the subscriptions of the members being the only source of income."		
38th }			
119th }			
41st - " - -	"See value of shares."		
43rd - " - -	"6,332 <i>l.</i> 0 <i>s.</i> 11 <i>d.</i> liability."		
44th - " - -	"Society has no fixed subscribed capital."		

2nd. As to "money lent," the returning either of the total amount advanced from the beginning of the society, or of the total amount secured with premiums, &c. is indicated by the many instances in which, no money being borrowed, the "money lent" is a higher figure than that of capital, *e.g.* :

—	Capital.		Money borrowed.	Money lent. (Total Amount.)
	Subscribed.	Paid up.		
58th Starr-Bowkett -	£ s. d. 3,101 2 1	£ s. d. 3,101 2 1	Nil.	£ s. d. 4,080 0 0
71st " "	4,315 0 0	2,315 0 0	—	5,600 0 0

Turning to other terminable societies, we find that the "Victoria Park," "Fourth Victoria Park," "Euston Road Mutual," "Second Euston Road Mutual," "Langbourn Mutual," and "Union Mutual," profess to have no "subscribed capital," but give a figure of capital "paid up," whilst the "Second Dalston Mutual," "Third Improved Rock Mutual," "Third Household Mutual," "London Orange," have capital "subscribed," but none "paid up," and the "Second Caledonian Bowkett," and "St. John's Mutual" have both capital columns blank; yet all three groups have found means to lend money without borrowing any. The reference of the capital columns, or of one of them, to the amount per share, is indicated by such returns as the following:—

—	Capital.	
	Subscribed.	Paid up.
Grosvenor Mutual -	"4,862l.	"28l. 6s. on each share."
St. Leonard's Mutual	"20l. 8s. 0. per share."	"10l. 8s. 0d. per share."
13th St. Martin's -	"23l. 8s. 0d."	"8,118l."
Fifth St. Martins -	—	"48l. on each two shares."

The "First Belgrave" gives no figures, but a long explanatory note.

The "Second Shareholders Mutual," under the head of capital subscribed, says: "The subscribed capital varies yearly, the amounts are so frequently withdrawn."

The different views as to the meaning of the "money lent" columns are exemplified by such returns as the following:

—	Total amount.	Money lent.	
		Amount secured by mortgage.	
		Advances on houses.	Advances on land.
Albert Town Mutual -	"This society has been established 16 years, — total amount advanced, 11,503l."	5,823l.	470.
Langbourn Mutual -	—	6,878l. "This sum includes premiums paid for advances."	None.

The "59th Starr-Bowkett," "4th St. Martin's Mutual," "6th St. Martin's Mutual," "Society of Equality, No. 4," ditto, "No. 5," ditto, "No. 6," ditto, "No. 7," "Second Victoria Park," and "George Hanover Square," obviously construe the return in the sense of the "Albert Town Mutual," and such must also be the case with all societies, such as the "Clerkenwell Bowkett Provident," "Western Equitable," "St. Mark's John Street Provident," and "Stoke Newington," in which the "total amount" of "money lent" is given at a figure enormously exceeding that of capital, no money being borrowed. On the other hand, the "Euston Road," "Second Euston Road," and "Victoria Park" avowedly construe the column as referring to the money secured, including premiums. The "North Bow Mutual" under the head of "money lent, total amount," expressly says: "3,095l. 10s. actually advanced; 3,608l. 8s. 9d. to be repaid to society, including premiums." This, again, must also be the case wherever (as in the "Fourth," "Fifth," "Seventh," and "Eighth Commercial Mutual,") the "total amount" is less than the figure of "advances" in the next column.

The return of a "Benefit Building Society," name in blank, giving 2,783l. as the subscribed capital, 3,486l., as the paid-up, and 3386l. as the total amount borrowed, fills up the columns for money lent with the single word, "all."

It would appear to be a waste of time to analyze in a similar manner the provincial returns; the annexed letter from the secretary to the "Rye, East Sussex, and Kent Permanent Benefit Building and Investment Society," will afford sufficient evidence that only similar results would be obtained.

"Rye, January 31st, 1871.

"I beg to acknowledge the receipt of your circular letter of the 27th ulto., requesting a return of particulars in relation to benefit building societies, in so far as the same are applicable to the society to which I am the secretary, and in reply to state that the form does not appear to apply to the principles and rules of the 'Rye, East Sussex, and Kent Permanent Benefit Building and Investment Society.'

"The society has no subscribed capital, but subscriptions are paid monthly by one class of members, being depositors, for shares, for the realization in different periods varying from 5 to 14 years of the share of 50l., with permission to withdraw the whole of the sum subscribed with interest at any time after the first two years; the other class of members being those who have anticipated their shares by having the amount, 50l. per share advanced on property security, redeemable by the members by monthly subscriptions at any period within 5 to 14 years.

"As a society, no money is advanced by the trustees for building purposes under the order of the society. Individual members have advances in respect of their shares, as above referred to, for the erection of buildings, or for the purchase of property, but I do not perceive that the operations of a society constituted as the Rye, &c. Society is, come within the form you have sent me.

"I am, sir, your obedient servant,

"(Signed) H. E. PAINE."

"A. O. Liddell, Esq.,  
"Whitehall."

## APPENDIX B.

PAPER by Mr. J. W. WILLIAMS as to application of Life Assurance Companies' Act, 1870, to Building Societies. (See Questions No. 6836, 6837, 6838, and 6839.)

The Life Assurance Companies Act, 1870, contains six schedules and three tabulated forms, referred to particularly in the fifth schedule of the Act; altogether there are seven tabulated forms and two schedules of particulars, which are made up with the annual accounts.

The first schedule, which might be marked A, is the revenue account for the year. This corresponds with the cash account, which I recommend for building societies.

The second and fourth schedules, which might be marked B, are the balance sheets.

The fourth schedule contains a statement of the liability of the company to each particular fund specified, and a detailed account of the assets, such as the balance sheet I have handed in for the building societies.

The third schedule (form No. 3) which might be marked C, contains profit and loss account, such as I have recommended for building societies to use; of course varying the items, but the principle is the same.

Schedule fifth, and three forms following, apply only to life assurance companies.

Schedule sixth, which might be marked D, is a statement of the business effected by the company. I recommended a similar schedule or summary in my answer to question No. 6724. I have now prepared schedules of statement of business, for building society marked E and F.



## SCHEDULE.

Summary and Statement of the business effected from the commencement of the ——— Building Society from 18 to 18 , and for the year from 18 to 18 .

## AS TO SHAREHOLDERS, INVESTORS.

1. No. of shares of £ each taken up by shareholders from the commencement of the society to 18 .
2. No. of shares held by shareholders at the end of last year.
3. No. of shares taken up by shareholders during the year.
4. No. of shares withdrawn during the year.
5. No. of shares now held by shareholders, including paid-up shares.
6. Total amount due thereon, with interest.

## AS TO DEPOSITS AND LOANS.

7. Amount of deposits and loans received from the commencement of the society to 18 .
8. Amount due on deposits and loans at the end of last year.
9. Amount of deposits and loans received this year.
10. Amount of deposits and loans withdrawn this year.
11. Amount now due on deposits and loans, including interest.

12. Total amount received in subscriptions, deposits, and loans this year.

Summary of the business effected from the commencement of the ——— Building Society from 18 to 18 , and for the year from 18 to 18 .

## AS TO SHAREHOLDERS, BORROWERS.

1. Number of shares, £ each, taken up by shareholders from the commencement of the society.
2. Amount lent thereon.
3. Average amount lent to each shareholder. Number of shares held by shareholders at the end of last year.
4. Number of shares taken up during the year by shareholders.
5. Amount lent thereon during the year.
6. Average amount lent to each shareholder during the year.
7. Number of shares paid off and withdrawn.
8. Number of shares now held by shareholders.
9. Amount of subscription due thereon from the commencement of the society, arrears and interest.
10. Total amount of borrowers' arrears.

## GENERAL.

11. Total number of shareholders, including investors and borrowers.

# INDEX.

## ACCOUNTANTS :

Public, Newcastle balance-sheets, generally audited by, *Strachan*, 4667.

## ACCOUNTS :

Of building societies, very seldom understood by members, *Campbell*, 4868.

Are drawn up differently in Manchester and London, *Jones*, 5337.

Often incorrect or misleading, *Campbell*, *passim*; *Jones* and *Reay*, 5339, 5431-3.

So complicated, that actuaries alone can understand them, *Friedlein*, 8342.

Should be published, *Thomas*, 4523-33; *Harle*, 8215; in same form as by bank, *Harle*, 8219.

Communication of, to members, *Dawson*, 5034-5, 5172-3; *Middleton*, *Dawson* and *Fatkin*, 5082-6; *Andrew*, 5570; *Ascroft*, 6309, 6312; *Hosking* and *Priest*, 6561-70.

Form of, should be uniform, *Ingoldby*, 7259; *Williams*, 7594-5; in permanent societies, *Reay*, 5336-7.

Could not be, *Jones*, 5337.

Should be registered in London, *Reay*, 5384.

General statement of, should be returned annually, *Higham* and *Hoare*, 3204-9; *Brabrook*, 3222-3, 3461-2; *Thomas*, 4525; *Parker*, 4916-17; *Dawson*, 5170-1; *Williams*, 7468-9, 7530-49.

No advantage in doing so, *Ascroft*, 6312; *Hosking*, 6560.

And see *Campbell*, *passim*; *Parker*, 4918-20; *Dawson*, 5032; *Ingoldby*, 7198-204, 7219; *Allott*, 2926-35.

See also *Audit*, *Balance-sheet*, *Form*.

## ACTUARY :

See *Jones*, *Parker*, *Scratchley*, *Strachan*, and *Tables*.

Valuation of accounts by, in some Liverpool societies, *Jones*, 5284, 5434; but infrequent, 5432; and see *Reay*, 5285; in London societies, *Peacock*, 4332; *Parker*, 4903, 4963, 4966.

Not required for permanent societies, *Phillips*, 6204-6.

Not necessary, *Reay*, 5434; and see *Strachan*, 4621.

Often varies, and should specify principle, *Parker*, 4920.

And see *Friedlein*, 8274, 8342.

## ADVANCES :

Sale of, *Higham*, 2851-2, 2856; *Brabrook*, 3373; *Taylor*, 3782-7; *Thomas*, 4512-16, 4334-5; *Strachan*, 4647; *Andrew*, 5478-9, 5482.

At reserved price without auction, *Priest*, 6383-93.

At fixed monthly premium, *Phillips*, 6069.

At yearly premium, *Ravenscroft*, 7995-7.

Should be forbidden, *Thomas*, 4515, 4535.

And see *Premiums*.

Commission charged on, *Allott*, 7788, 7793-4, 7868-9.

Ballotting for, *Higham*, 2862, 2885; *Hoare*, 3127; *Brabrook*, 3372-3; *Bowkett*, 4120, 4122-5, 4136-7, 4160, 4171-3; *Prangnell*, 4224-6, 4230, 4234-5, 4269-75; *Thomas*, 4534; *Andrew*, 5479-82.

Made by right, *Bowkett*, 4173.

Two methods of, in "Birkbeck," *Ravenscroft*, 7992.

On buildings, the main business of building societies, *Higham*, 2897-8, 2903-4, 2972.

For building, are or should be discountenanced, *Higham*, 2898, 2904, 2907; *Peacock*, 4302-5.

Are the kind principally made about Swansea, *Thomas*, 4295; in Ashton-under-Lyne, *Andrew*, 5591-2.

Customary in Sheffield, *Ryalls*, 6835 and following, *Allott*, 7727; and see *Grüneisen*, 7354-60.

To builders, see *Builders*.

On mills or factories, should be forbidden, *Williams*, 7575, but see 7607.

On land, unfrequent, *Higham*, 2904.

Made, *Grüneisen*, 7351-2.

Temporary, on shares, *Selway*, 3578; *Allott*, 7940-6.

Limited to amount of shares, by Act, *Higham*, 3122-3; *Hoare*, 3126; *Brabrook*, 3370; *Prangnell*, 4217, 4222-3.

The limit generally respected, *Brabrook*, 3402.

Exceed the share in Starr-Bowkett Societies, *Brabrook*, 3370, 3372.

Making of, to members only, a fiction, *Higham*, *Warner*, and *Hoare*, 3122-6.

Made to non-members, *Brabrook*, 3278; *Whittingham*, 7334-6, 7338-40.

To other societies, disapproved, *Phillips*, 6207-8.

Commonly done, by terminating societies, *Brabrook*, 3339-41; *Ascroft*, 6265-7; and see *Harle*, 8166-7.

Instances of, *Thomas*, 4537-9; *Hosking*, 6610-15; *Priest*, 6611.

## ADVANCES :

Area of, should not be limited, *Strachan*, 4704-5; *Jones*, 5403-4; *Grüneisen*, 7421.

Limited in practice—

(1.) Invariably in some societies, *Jones*, 5315-6.

(2.) Habitually in others, *Reay*, 5316-8; *Lee*, 5847; *Woodhouse*, 5991; *Ascroft*, 6262-3; *Hosking*, 6535; *Lund*, 6763.

Habitually unlimited, *Grüneisen*, 7417-25.

Unlimited, but tending to a limit, *Whittingham*, 7431.

Making, at a distance, dangerous, *Reay*, 5319; *Lee*, 5920.

Amount of, should be limited, *Ryalls*, 6857-65, 6886-9, 6939-58; *Williams*, 7577-8; and see 7607-12.

Should not be limited, *Jones*, 5402, 5407.

Large, defended, *Binns*, 6775.

Large, required by accumulation of capital, *Hosking*, 6530, 6546.

Prevent working men obtaining advances, *Williams*, 7612.

Do not prevent them, *Allott*, 7939.

Average amount of, 1,000*l.*, in most Liverpool societies, *Jones* and *Reay*, 5256-8, 5359; in terminating Manchester societies, *Lee*, 5883; 400*l.* in "Third Bradford Equitable," *Lund* and *Binns*, 6685, 6783, 300*l.* to 400*l.* in "Planet," *Ingoldby*, 7086; 400*l.* in "Birkbeck," *Ravenscroft*, 8113.

Reason for large advances in Liverpool, *Hosking*, 6545.

Tendency to make large, increasing, *Allott*, 7870.

Large, not so advantageous as small, *Allott*, 7936.

Largest amount of, in various societies: 6,000*l.*, *Reay*, 5257; *Phillips*, 6088; 9,000*l.*, *Jones*, 5321; over 3,500*l.*, *Andrew*, 5483-4; 19,000*l.*, *Lee*, 5683-7; 12,000*l.*, *Lea*, 5887; 4,000*l.*, *Hosking*, 6529; 5,000*l.* or 6,000*l.*, *Ingoldby*, 7088; *Whittingham*, 7379, 7401; 2,000*l.*, *Grüneisen*, 7376a; 30,000*l.*, *Allott*, 7719; 12,100*l.*, *Ravenscroft*, 7964, 7966, 7973.

Smallest amount of, in various societies, 150*l.*, *Andrew*, 5483, 5494; 40*l.*, *Lee*, 5702.

Five-sixths of, under 400*l.* in "Leeds Permanent," *Fatkin*, 5125.

Bulk of, small, in "Birkbeck," *Ravenscroft*, 8052-3.

On other than real securities, advocated, *Allott*, 7860-3, 7897-903, 7922.

To directors and trustees, *Williams*, 7554.

## AGENTS :

Payments to building societies not made through, *Higham*, 2994.

One important London society has, *Higham*, 2994.

Employed by "Queen's," Manchester, *Woodhouse*, 5981-3.

Employed by "Conservative Land," *Grüneisen*, 7422-50.

Members, in "Temperance," *Phillips*, 6153-6.

## ALDGADE AND GENERAL MUTUAL BUILDING SOCIETY.

See *Turner*.

## ALLOTT, ALFRED, 7693-7948 - - - p. 215.

Secretary to the Sheffield and South Yorkshire Permanent Building Society, 7693; has obtained statistics relating to nearly all the building societies in Sheffield, the majority of which are terminating ones, 7694, 7695;



**ALLOTT, ALFRED :**

evidence as to the formation of building societies in Sheffield, and reasons for the non-existence of permanent societies prior to 1849, 7695-7708; operations of terminating societies, 7709-7718, 7727-7736, 7739-7746; borrowing powers, 7732, 7757, 7844-7862, 7889; case of winding-up of a society on account of defalcations of its secretary, 7737, 7738; evidence as to the formation and operations of several permanent societies in Sheffield, 7747-7753, 7761-7775; management and transactions of the "Sheffield and South Yorkshire" Society, 7750-7758, 7782-7855, 7868-7871, 7908-7918; paid-up shares, 7753-7760; land societies in Sheffield, one of which is of the nature of a political society, 7776-7781; advantages of, and suggestions as to legalising the system of deposits, 7856-7863, 7872-7907; exemption from stamp duties, 7864-7867, 7904, 7935; restrictions should be placed upon the present extension of building societies, and a supervision exercised over mere building societies in the way of returns, a separation being made between these and the larger societies, which latter should be dealt with rather on commercial principles, 7919-7935; small advances are subject to less risk than large ones, 7936-7939; system of temporary loans on personal security, 7940-7947.

**ALTERNATION :**

Of Rules, *Higham* and *Hoare*, 3024, 3165-7.  
Fee on, after three years, *Brabrook*, 3363.  
Difficulties as to, *Ingle* and *Ingoldby*, 7177-81, 7214, and foll.

**AMALGAMATION :**

Of societies, *Higham*, 3079-80; *Peacock*, 4371, 4593; *Strachan*, 4740.

**ANDREW, SILAS, 5468-5634 - - - p. 128.**

Has been connected with building societies, both of the terminating and permanent description, at Ashton-under-Lyne, 5468; list of terminating societies, 5469; management and transactions of societies which have terminated, and of the Fourth Swan Building Society, still in existence, 5469-5502, 5515, 5516; system of advances, 5475-5500, 5525-5537; formation of the Friendship Benefit Building Society, 5503-5506; monthly meetings at inns and contributions for refreshments, 5507-5514; the permanent principle is most popular at Ashton, 5516, 5517; particulars respecting the Ashton-under-Lyne Permanent Benefit Building Society, and the Pitt and Nelson Permanent Benefit Building Society, of which witness is secretary, 5518-5553; is also secretary to the "Dukinfield Crown" and the Stalybridge Commercial Building Society, 5518; amount of shares, 5520; paid-up shares, 5521, 5522; premiums, 5523, 5524; interest, 5538-5542; withdrawals, 5543, 5544, 5590; fines, 5545-5549, 5563, 5564; number of members and capital, 5550; shares, 5551, 5552, 5555, 5558; formation and working of the Buckley Chambers Permanent Society at Ashton, 5554-5565; building societies at Ashton do not borrow, 5557; division of single shares to enable the poorer classes to invest, 5558-5561, 5576-5589; statement as to the advisability of appointing a board of directors, 5566, 5567; objections to borrowing powers, 5569; audit of accounts, 5570; secretary's salary, 5571, 5572; advances on land, 5574, 5575; class of houses built by members of building societies at Ashton, 5591-5623, 5633, 5634; connection of friendly with building societies, 5624-5632.

**APPEAL :**

To quarter sessions from barrister's refusal to certify, *Brabrook*, 3239-40.  
There should be, from County Court, *Middleton*, 5076-9, 5095-100, 5112-22.  
And see *Middleton*, 5168-9.

**APPRENTICES,**

300, in "Queen's," Birmingham, *Taylor*, 3860.

**APPROPRIATIONS :**

In Bowkett and Starr-Bowkett Societies. See *Advances*.

**ARBITRATION : Higham, Hoare, and Warner, 3106-8, 3195-9.**

Should be enforced, *Ingle*, 7192, 7195-7.  
Of great advantage, *Higham*, 3112.  
Very rare, *Brabrook*, 3396; *Thomas*, 4368; *Peacock*, 4566.  
Might be by Registrar, *Middleton*, 5164-7.  
Should be by Registrar, and compulsory, *Peacock*, 4362-3.  
Objected to, *Strachan*, 4803-10; *Harle*, 8258.  
And see *Peacock*, 4597-8.

**ARTIZAN :**

Building Society, Liverpool, *Reay*, 5333-4.

**ASCROFT, WILLIAM, 6209-6353 - - - p. 154.**

Has been connected with 30 terminating building societies at Oldham, and is now solicitor to 22, 6209-6214; mode in which these societies have been conducted, 6215-6312; average number of members in each, 6215, 6216; shares, 6216-6218; advances, 6219-6241, 6260-6277, 6352, 6353; interest, 6221-6226; fines, 6241-6243; monthly meetings and payments at public-houses, 6244-6255, 6313-6322; responsibility of trustees, 6274-6279; solicitors' charges, 4256-6259; borrowing powers, 6278-6300, 6323-6329, 6338-6339; exemption from stamp duties, 6301-6308, 6350-6351; audit of accounts, 6309-6312, 6330-6337; property held by advanced members, 6340-6349.

**ASHTON-UNDER-LYNE :**

Building Societies in. See *Andrew*.  
Permanent Building Society. See *Andrew*.

**ATLAS Building Society, Sheffield, Allott, 7712, and statistics annexed.****AUDIT :**

Public, not desirable, *Higham*, 3223; *Ascroft*, 6332-7; *Harle*, 8266-7.  
Desirable, *Williams*, 7540-1, 7592-3, 7614; *Turner*, 7673, 7675-6.  
Professional, should be enforced by law, *Dawson*, 5175-7; *Reay*, 5335-6; (but *quære*, *Jones*, 5338).  
Annual, required now by law, *Higham*, 3207; *Hosking*, 6561.  
Mode of, in societies, *Thomas*, 4522; *Dawson*, 5033, 5175; *Jones* and *Reay*, 5333-9; *Andrew*, 5569-70; *Ascroft*, 6309-12, 6334, 6337; *Hosking* and *Priest*, 6561-8.  
And see *Higham*, 3204; *Dawson*, 5033; *Turner*, *passim*.

**AUSTRALIA :**

Building Societies in, *Friedlein*, 8272-3.

**AYLESBURY :**

A really mutual society at, *Friedlein*, 8274.

**BALANCE SHEET :**

Should be periodically published, *Strachan*, 4787, 4793; *Dawson*, 5174-7; *Phillips*, 6199.  
Certified, *Dawson*, 5175-7.  
And registered, *Strachan*, 4789, 4794.  
Need not be required, *Ryalls*, 6890.  
In Newcastle is always printed, and generally audited by public accountants, *Strachan*, 4667.  
Often incorrect, *Campbell*, 4836, 4844-53.  
Instances of incorrect balance-sheets, *Williams*, 7469-7501; *Turner*, 7651 and foll.; *Friedlein*, *passim*.  
Particulars which they should contain, *Campbell*, 4821-43; *Williams*, *passim*.  
And see *Lee*, 5758-70.

**BALLOT :**

Sale of advances by, see *Advances*.  
Exclusion of members by, in terminating societies, *Hoare*, 3066; *Middleton*, 5199; and see *Priest* and *Hosking*, 6611-2.  
Fee for imaginary, in "Birkbeck," *Ravenscroft*, 8108-9.  
And sale societies; very popular of late in London, *Peacock*, 4287-8.  
Mostly composed of middle class, *Peacock*, 4291.  
For allotments in land societies, *Taylor*, 3978, 3983.

**BANKERS :**

Loans from to building societies, at first the usual form of borrowing, *Higham*, 2863-7; *Harle*, 8164-5.  
Disadvantages of, *Thomas*, 4572-3.  
Decline to lend without personal security of directors, *Higham*, 2975; and see *Selway*, 3574, *Peacock*, 4337.  
Will not always lend when money wanted, *Thomas*, 4580; *Ascroft*, 6294-5.  
Overdrawing on, *Taylor*, 3661-2; *Dawson*, 5146-9; *Jones*, 5376; *Ascroft*, 6352; *Allott*, 7853-5.  
Sometimes require deposits of deeds, *Middleton*, 5148; *Ascroft*, 6328; but often lend without, *Williams*, 7566-7.  
Deeds kept at, in Liverpool terminating societies, *Reay*, 5411; in Ashton societies, *Andrew*, 5222; and see *Williams*, 7565-7.  
Higher interest charged by, *Lee*, 5749-51; *Phillips*, 6122.  
Generally large creditors of building societies, *Williams*, 7565.  
Building societies compete with, *Harle*, 8219-21.  
Interest paid by, on balances, *Phillips*, 6136-7.  
Commission paid to, *Allott*, 7820.  
And see *Warner*, 3193; *Phillips* 6120-3.  
See also *Loans*, *Promissory Notes*.

**BAYNES, W. W., 2849-3223** - - - p. 1.  
Secretary to Monarch Building Society, 3005; tables of "Monarch" have been certified by actuary, 3006; discrepancies in Registrars' practice as to certifying, 3020, 3062; directors should determine as to taking offices, 3085-6; some societies' offices are open every day, 3088; inconvenience of endorsements by trustees, 3097; limit of borrowing powers should be one-third of advances, 3140, 3141; borrowing powers enable directors to equalize business, 3151; as to investment of funds, 3180, 3184, 3185; deposit business not likely to be unduly extended, 3184-5.

**BENEFIT BUILDING SOCIETIES ACT :**

History of, *Higham*, 2899; *Hosking*, 6456, 6573-83; *Harle*, 8161.

Intended to encourage building societies as against savings banks, *Hosking*, 6456, 6577-8, 6580-4.

Discussed, *Higham*, 2900-2, 3007-11, 3047-8, 3060-6, 3093-8, 3120-4, 3214; *Seaway*, 3547-8, 3563; *Taylor*, 3735, 3970-2; *Ingoldby* and *Ingle*, 7001-3, 7024-5, 7036-8; *Allott*, 7760; *Harle*, 8178, 8192-3, 8197, 8214.

Approved, and should only be added to, *Hosking*, 6521, 6556-9.

And see *Brabrook*, 3232.

**BILL, MR. GOURLEY'S :**

For building societies, *Higham*, 3021, and foll.; *Brabrook*, 3242, and foll.; *Taylor*, 3846-7, 3942-3; *Peacock*, 4316, 4345, 4362, 4364, 4370, 4381, 4383, 4386-7; *Campbell*, 4815-6, 4857; *Parker*, 4908-16; *Middleton*, 5037-40, 5048-9, 5061, 5075-6, 5080, 5082, 5101, 5105, 5140, 5152, 5158-62; *Jones* and *Reay*, 5341, 5379-82, 5397; *Binns*, 6766 and foll.; *Williams*, 7624-5.

Approved of, *Seaway*, 3505; *Taylor*, 3747-8; *Middleton*, 5088; *Jones* and *Reay*, 5379-81; *Lee*, 5788; *Woodhouse*, 6003; *Phillips*, 6151; *Binns*, 6766.

Opposed, *Hosking*, 6556-9.

Petitions for and against, *Higham*, 3156-7.

Represents views of permanent societies generally, but not of mutual societies, *Brabrook*, 3366-8; *Prangnell*, 4260.

Drawn by Mr. *Brabrook*, but does not represent his views, *Brabrook*, 3242-4, 3254-5, 3290, 3294-5, 3223, 3359-60, 3363, 3450.

Mr. *Peacock*'s heads of, *Peacock*, 4314, and foll.

Private, of incorporation of the "Planet" Society, *Ingoldby* and *Ingle*, 7115 and foll.

**BINNS, JOSEPH ARTHUR, 6641-6791** - - - p. 174.

President of the Third Bradford Equitable Building Society, 6641, 6642; concurs generally with the principles of Mr. *Gourley*'s Bill, 6765-6769; probate duty in case of members dying intestate, 6769; the moral effect of the exemption from stamp duty is beneficial to the poorer classes, whilst it facilitates the lending of money, 6770-6780; average value of houses inhabited by the working classes in Bradford, 6781, 6782; advances, 6783; difficulty and expense of using receipt stamps in the receipt or payment of small sums, 6785, 6786; advantages of incorporation, 6787-6790; deprecates any serious curtailment of the existing privileges of building societies, 6791.

**BIRKBECK**

Building Society. See *Ravenscroft*, and *Higham*, 3146, 3181.

Freehold Land Bonus Distribution Society. See *Ravenscroft*.

Land Society. See *Ravenscroft*.

Advance Society. See *Ravenscroft*.

Bank. See *Ravenscroft*.

**BIRMINGHAM :**

And Midland Counties Benefit Building Society. See *Taylor*.

Freehold Land Society. See *Taylor*.

Building Societies at, *Taylor* and *Higham*, 2965.

**BLAKE, PETER, 3503-3650** - - - p. 40.

Secretary to Greenwich Industrial Permanent Building Society, 3504; power to invest in land not necessary for building societies generally, 3517; but desirable, 3619; should be confined to surplus funds, 3522; as to business, rules, &c., of Greenwich Industrial Permanent Society, 3517-8, 3520, 3523-5, 3544, 3563-4, 3600, 3606-7, 3613, 3627-3638, 3640; incorporation of building societies not desirable, 3539; borrowing powers necessary, 3544-5, need not be limited, 3627-8; the Greenwich Industrial Society does not recognise paid-up shares, 3600; basis of advances in society, 3606, 3630-3636; management expenses, 3606-9; solicitor, 3610-3612; deposits and savings'

bank system, 3613, 3627-8, 3637-8, 3640; payment to directors, 3616; there need not be different legislation for large and small societies, 3620; borrowing on deposit of deeds should be prohibited, 3622; the People's Co-operative Building Society of Greenwich, 3636.

**BONUS.** See *Interest*, *Profits*.

**BOROUGH BUILDING SOCIETY, SHEFFIELD :**

First, *Allott*, 7700-5, 7741, and statistics annexed.

Second, third, and fourth, *Allott*, 7701-5, and statistics annexed.

Fifth and sixth, 7741.

**BOROUGH OF ASHTON-UNDER-LYNE BUILDING SOCIETY.** See *Andrew*.

**BOROUGH OF FINSBURY BUILDING SOCIETY.** See *Parker*.

**BORROWERS :**

Unfairness of original terminating societies to, *Higham*, 2851-2; *Hoare*, 3066; of building societies tables now to, *Parker*, 4935-9.

Pay more than they should, *Ryalls*, 6868; *Friedlein*, 8274, and foll.

In terminating society, must be able to pay four or five per cent. more than investors *Reay*, 5430.

Not alone contemplated by Benefit Building Societies' Act, *Warner*, 3126.

All members should have intention of becoming, *Thomas*, 4517.

Should be excluded from all member's privileges, *Ingoldby*, 7163-4; 7221-2.

Pay same fines as investors, *Brown*, 4073; *Dawson*, 5024; *Reay*, 5280; nearly same, *Lee*, 5709-15.

Pay higher fines than investors, *Taylor*, 3704; *Winterbotham*, 4078; *Prangnell*, 4236-8; *Thomas*, 4559-65; *Jones*, 5281; *Andrew*, 5545; *Phillips*, 6076-9; *Priest*, 6408-9; *Lund*, 6672-3; *Ingoldby*, 7067-70; *Allott*, 7802.

Pay fines where investors do not, *Taylor*, 3679-80.

And see *Members*, *Advances*, *Redemption*, *Repayments*, *Interest*.

**BORROWING POWERS :**

Not contemplated by Building Societies' Act, *Brabrook*, 3277, 3349.

Were used as early as 1836, *Lea*, 5863.

None in Newcastle before 1851, *Harle*, 8162-71.

Have been used whether allowed or not, *Lea*, 5857-60; *Woodhouse*, 6004-5.

Were originally sanctioned by the Registrar, and the Treasury, *Higham*, 2858-64.

Fluctuations in practice of Registrar's office as to, *Higham* and *Hoare*, 3143; *Lea*, 5858.

Made legal by *Laing v. Reed*, *Brabrook*, 3270, 3277.

Almost necessary to permanent society, *Brabrook*, 3269.

Not always necessary to terminating societies, *Brabrook*, 3273.

Necessary to terminating societies, *Hoare* and *Higham*, 3137-8; 3134-6; *Parker*, 4942; *Reay*, 5355; *Priest*, 6435; *Hosking*, 6516.

Should be withheld from Bowkett societies and ballot and sale societies, *Peacock*, 4341.

Witnesses in favour of: *Higham*, *Warner*, *Hoare*, *Baynes*, *Brabrook*, *Seaway*, *Blake*, *Peacock*, *Thomas*, *Taylor*, *Winterbotham*, *Brown*, *Strachan*, *Campbell*, *Parker*, *Middleton*, *Jones*, *Reay*, *Lee*, *Lea*, *Woodhouse*, *Phillips*, *Ascroft*, *Hosking*, *Priest*, *Lund*, *Williams*, *Allott*, *Ravenscroft*.

Witness against borrowing, *Andrew*, 5472, 5569.

Building societies could not be worked without, *Brown*, 4016, 4060; *Lee*, 5742.

Enable directors to equalize business, *Baynes*, 3151.

Used not to be limited, *Higham*, 2857-62, 3144.

Should or might be unlimited, *Warner*, 2960, 3139-40, 3144, 3159; *Blake*, 3677-8; *Taylor*, 3777; *Brown*, 4060; *Strachan*, 4656, 4666, 4684; *Hosking*, 6520-1; *Ryalls*, 6936-8; *Ravenscroft*, 8080, and foll.

Should be limited, *Higham*, 3139-41, 3151, 3164; *Hoare*, 3139-41; *Baynes*, 3140-1; *Brabrook*, 3295-3309, 3243-41, 3415; *Seaway*, 3626-8; *Winterbotham*, 4017; *Peacock*, 4337, 4340-4; 4400-5, 4593-5; *Thomas*, 4488; *Campbell*, 4854; *Parker*, 4921; *Middleton*, 5103; *Dawson*, 5139; *Reay*, 5340-1; *Jones*, 5380-1; *Woodhouse*, 6011; *Phillips*, 6124; *Ascroft*, 6273, 6326; *Lund*, 6758-9; *Ingoldby*, 7151; *Ingle*, 7210-1.

Should be limited on the amount of subscriptions, *Higham*, *Brabrook*, *Seaway*, *Blake*, *Winterbotham*, *Thomas*, *Parker*, *Reay*, *Ingoldby*, but see *Ingle*, 7207-11.

To one-third, *Thomas*, 4492.

To one-half, *Brabrook*, 3296, 3301; or at most the whole, 3343-4.



## BORROWING POWERS:

- To three-fourths or five-sixths, *Parker*, 4922.
- To two-thirds, *Ingoldby*, 7152, but see *Ingle*, 7207-11.
- To an equal amount, *Higham*, 3139; *Selway* and *Blake*, 3627-8; *Winterbotham*, 4019.
- To five years' subscriptions, *Reay*, 5342.
- To one or two months, *Harle*, 8243.

Objections to the subscription limit, *Hoare*, 3140-1; *Baynes*, 3142; *Brown*, 4104; *Strachan*, 4656-60; *Reay*, 5345.

Should be limited (or limited if at all) on the amount of advances, *Hoare*, *Baynes*, *Taylor*, *Strachan*, *Campbell*, *Middleton*, *Woodhouse*, *Ascroft*, *Hosking*, *Lund*, and see *Ingle*.

To half, *Baynes*, 3140; *Williams*, 7563.

To two-thirds, *Hoare*, 3140; *Taylor*, 3770, 3777; *Middleton*, 5104, 5106; *Lund*, 6758-9; and see *Ingle*, 7207, 7211.

To two-thirds or three-fourths, *Ascroft*, 6273, 6236-9.

To three-fourths, *Campbell*, 4854-5.

(Might be) to nine-tenths, *Strachan*, 4697.

Objections to the advances limit, *Higham*, 3139, 3141; *Brabrook*, 3296; *Strachan*, 4661-4; *Ravenscroft*, 8062-3.

Should be limited on the total amount of capital or assets, *Phillips*, *Allott*; *contra*, *Ravenscroft*, 8084; to half or two-thirds, *Phillips*, 6124-32.

To two-thirds, *Allott*, 2890, 2894.

Should be limited in proportion to business, and limit should not be fixed by law, but by the rules, *Peacock*, 4230-4, 4337, 4593-5.

Instances of societies working with unlimited powers; the "Sun Permanent," *Warner*; "Stroud Provident," *Winterbotham*; "Temperance Land and Building," *Phillips*; societies in Yorkshire, *Lund*; and see *Hoare*, 3143; *Higham*, 3144.

Instances of societies working with limited powers; the "Fourth City Mutual," *Higham*; the "Queen's," Birmingham, *Taylor*; "Northern Counties," *Strachan*; "Leeds Permanent," *Middleton*; "Burnley," *Lee*; societies in Liverpool, *Priest*; "Bradford Third Equitable," *Lund*.

Instances of societies borrowing without powers; the "Kentish Town, Camden Town, and Highgate," *Peacock*; terminating societies in Swansea, *Thomas*; in Liverpool, *Reay*; in Ashton-under-Lyne, *Andrew*; in Manchester, *Lea*; "Queen's," Manchester, *Woodhouse*.

Instance of society with power, but not using; "National Freehold Land," *Whittingham*; and see *Higham*, 3143-5; *Brabrook*, 3270.

## BOWKETT, DR. THOMAS EDWARD, 4118-4285 - p. 64.

Describes the Bowkett societies, 4119-4187, 4211-4213, 4263; they are founded on an arithmetical principle which scarcely anyone seems to comprehend, 4119, viz., the accumulation at compound interest of money lent without interest, 4126; they advance on property to its full value, 4153, 4178; instances of appropriations for the purchase of land, 4160-2; withdrawals advantageous to the societies, 4163-4170; advances are made by ballot, or sometimes by right, 4120, 4122-5, 4160, 4173; no collateral security taken, 4179; no fines, but increased subscriptions, 4181-3; dissatisfaction of members who do not obtain early advances, 4185; sales of advances, 4231-4; objections of, to investing societies, 4189-4199, 4209, 4210; to "Improved Bowkett" and "Starr-Bowkett" societies, 4200-4208; approves of original Building Societies Act, 4218-9; his societies are not anxious for the new Bill, 4257; the members of them do not trouble their heads about the exemption from stamp duties, 4278-4280; cannot give the number of his societies; there are hundreds, 4255; they exist in all parts of the world, 4261.

## BOWKETT SOCIETIES:

Described, *Bowkett*, 4118 and foll.; *Peacock*, 4287; and see *Turner*, 7634-92.

Should not be allowed to borrow, *Peacock*, 4341.

Shares of minors in, *Peacock*, 4351.

And see *Friedlein*, 8274, and *Starr-Bowkett Societies*.

## BRABROOK, EDWARD WILLIAM, 3224-3502 - p. 26.

Assistant-Registrar of Friendly Societies, 3224; acquainted with the Registrar's views as to building societies, 3225; two great classes of building societies, permanent and terminating, 3226; differences between the two, 3227, 3276, 3383; the barrister only certifies rules; does not register building societies, 3228-9; enrolling of rules with clerk of the peace, 3230-3231;

as to appointments of new trustees, 3233; the office has no statistics of building societies; from 200 to 250 are certified yearly, 3234-6, 3458-9; parliamentary return in 1859 very incomplete, 3237; as to certifying in Ireland and Scotland, 3238; appeal to quarter-sessions on refusal to certify, and mandamus, 3239-3241; witness drew Mr. Gourley's Building Societies Bill, 3242-4; proposed registration of building societies, not to be conclusive of legality, 3245-3255; no new organization proposed, 3256; witness prefers the trustee system to incorporation, 3257-3267; other amendments proposed, 3268; as to borrowing powers, 3268-3309, 3316-3322, 3324-3351, 3412-3421, 3475-3479; surplus funds, 3278-3286, 3310-3315, 3397-3401; freehold land societies, 3278-9, 3318, 3337, 3397-3401, 3441-3447; borrowing powers should be limited in proportion to subscriptions received, 3395-3309, 3243-4, 3415; as to deposits, 3306-3309, 3316-3320, 3337, 3475-6; neither maximum of interest nor minimum of loans should be fixed, 3316-7, 3329, 3330; balance sheets should be sent to Registrar's office, 3321-2, 3481-2; deposit of deeds should be prohibited, 3225; loans from one building society to another, 3339-3341; members of building societies are able to look after their own interests, 3354; as to exemption of building societies from stamp duties, 3359-3360, 3409-3410, 3449; fees on registration, 3363; restrictions on amount of shares and monthly payments may be done away with, 3364-5; what societies are represented by the Bill, 3366-3368; mutual societies, particularly the Starr-Bowkett's, 3368-3374; building societies generally remarkably successful, 3375; expenses of management, 3380-3385; guarantee fund, 3386-7; embezzlements, 3388-3390; surveyors, 3391-2; declaring unrealized profits, 3394; arbitrations are rare, 3396; as to restriction of advance to amount of share, 3370-3372, 3402-3; large building societies should be limited, or become joint stock companies, but small ones need not, 3348, 3406-3408, 3420-1, 3426-3430, 3436-3440, 3470-3477; Registrar should be responsible for validity of rules, 3450-3454; uniformity of rules desirable, 3456-7; registration very desirable, 3460; hardships to borrowers in redemptions, 3466-8; fines, 3480-3; hardships in exercise of power of sale, 3484-6; power to take buildings, 3489-3494; county franchise, 3497-8, and note; the Isle of Man, 3499; dissolution and winding up, 3500-2.

## BRADFORD:

Building societies in. See *Binns* and *Lund*.

## BRANCHES:

Societies with, *Dawson*, *Middleton*, and *Fatkin*, 5069-73, 5093; *Lee*, 5837-9; *Lund*, 6761.

BRISTOL EQUITABLE PERMANENT BUILDING AND INVESTMENT SOCIETY. See *Brown*.BRITISH LAND COMPANY. See *Whittingham*.

## BROWN, HENRY ISAAC, 3993-4117 - p. 57.

Represents the Bristol Equitable Permanent Building and Investment Society, 3993; monthly subscriptions, 4016; borrowing powers are necessary to the success of a building society, as instanced in the case of two societies formed by witness, one terminating and the other permanent, 4054-4062, 4104-4109; present condition of the "Bristol Equitable," 4063-4083; fines, 4073-8; permanent societies are terminating societies to each member, 4085; exemption from stamp duties, 4100, 4106-4109, 4112, 4116; suggests addition of clause to Bill of last session respecting incorporation, 4117.

BRUNEL BUILDING SOCIETY, Liverpool, *Jones*, 5321-7.BRUNSWICK PERMANENT BUILDING SOCIETY, Manchester. See *Lea*.BUCKLEY CHAMBERS BUILDING SOCIETY, Ashton, *Andrew*, 5553-65, 5576-81.

## BUILDERS:

Foreclosures, chiefly in case of, *Higham*, 2999; *Peacock*, 4301; *Hosking*, 6541; *Ravenscroft*, 8160.

Fines the same, *Phillips*, 6203.

Many borrowers are, in "Birkbeck," *Ravenscroft*, 7982, and foll.; in "Chatham" (Liverpool) societies, *Jones*, 5260; none in others, *Priest*, 6419.

Discouraged by most Liverpool societies, *Hosking*, 6458-6461, 6541-3.

Most borrowers are, in "Temperance," *Phillips*, 6092.  
 Not many, in Burnley, *Lee*, 5698; in Oldham, *Ascroft*, 6234; nor in Bradford, *Lund*, 6683.  
 Build, for purchase by members of building societies, *Woodhouse*, 6038-40; and see *Phillips*, 6096.  
 Large advances made to, *Phillips*, 6088-91.  
 Mischiefs of advances to, *Ryalls*, 6831-5; *Williams*, 7568-9, 7604.  
 And see *Ryalls*, 6896-8; *Grüneisen*, 7371, and foll.; *Whittingham*, 7380-1.

#### BUILDING SOCIETIES :

History of, *Higham*, 2850, and foll.; *Hosking*, 6456; *Harle*, 8161, and foll.  
 Classes and composition of, *Brabrook*, 3226; *Peacock*, 4287-91.  
 Law relating to, *Higham*, 3007-20, and *passim*.  
 Great ignorance of, which prevails, *Phillips*, 6150.  
 Had a very bad name up to last 12 or 14 years, *Hoare*, 3126.  
 Are considered safe, *Parker*, 4952.  
 Many persons have little confidence in, *Thomas*, 4529.  
 Improvement in character of, *Strachan*, 4647.  
 Have been better managed since 1848, *Harle*, 8234.  
 In Oldham, cannot be improved, *Ascroft*, 6338.  
 Have not risks of trading business, *Warner*, 3140.  
 Benefits of, *Brabrook*, 3478; *Taylor*, 3745-6, 3748; *Phillips*, 6186-8, 6193-4; *Binns*, 6773; *Ingoldby*, 7239-41; *Allott*, 7873.  
 Mischiefs of; see *Ryalls*, *Harle*, *Williams*, *Friedlein*.  
 Should be liable for loans, *Higham*, 3141; *Strachan*, 4668-9, 4686-7.  
 Have had great effect on building in Ashton, *Andrew*, 5603, 5614-16; and towns in the north, *Binns*, 6774.  
 Change of character of, *Brabrook*, 3431, 3437, 3448, 3478; *Selway*, 3514-5; *Winterbotham*, 4114; *Strachan*, 4647-8; *Reay*, 5361; *Jones*, 5366; *Binns*, 6774, 6777; *Allott*, 7872, 7904-5, 7923 and foll.; *Harle*, 8192 and foll.  
 Have got into hands of middle class, *Harle*, 8195.  
 Tend to become deposit banks or investment associations, *Brabrook*, 3319, 3334.  
 Banking companies, *Allott*, 7872.  
 Compete with banks, *Harle*, 8219-21.  
 Are the banks of a certain class, *Brabrook*, 3357; *Phillips*, 6195-6; *Whittingham*, 7409.  
 Have been remarkably successful; very few have really failed, *Brabrook*, 3375.  
 Have done and will do much good, *Brabrook*, 3407, 3435.  
 Should be encouraged, *Binns*, 6773, 6777.  
 Should be compelled to submit to large restrictions, or lose benefits of Act, *Brabrook*, 3414 and foll.; should be treated as joint stock companies, *Harle*, 8203.  
 Large, safer than small, *Harle*, 8191.  
 Dangerous, *Williams*, 7599-600.  
 Small, present organization should be kept up for benefit of, *Brabrook*, 3470.  
 Proper, should be separated from others, *Allott*, 7924 and foll.  
 Distinguished from loan societies, *Strachan*, 4646, 4719; from joint stock companies, *Strachan*, 4656-60; *Grüneisen*, 7389; but see *Harle*, 8259 and foll.  
 Failures of, *Thomas*, 4548; *Strachan*, 4741 and foll., 4801; *Campbell*, 4854; *Jones* and *Reay*, 5310-14, 5320-8, 5333; *Turner*, 7687-91; *Allott*, 7737-8; *Harle*, 8181-9, 8233 and foll.  
 Are very rare, *Strachan*, 4799-4800; and see *Harle*, 8234-6.  
 Do not know the values of their mortgages, *Parker*, 4964-5.  
 Number of—Swansea, in and near, 30, of which 1 permanent, *Thomas*, 4548; Sunderland, 60, of which 20 to 25 permanent, *Campbell*, 4892; Liverpool, 150 to 180, *Hosking*, 6523-4.  
 Protection Association of London, *Higham*, 2849, 2871, 2962; *Brabrook*, 3243-4; *Phillips*, 6150.  
 Of Liverpool. See *Hosking* and *Priest*.

BURNLEY BUILDING SOCIETY, see *Lee*.

CAMPBELL, JOHN WALTER, 4813-4899 - - p. 99.  
 Secretary of the Working Men's Building Societies of Sunderland, 4813; assisted in framing Building Societies Bill of last session, 4815; practice of paying profit out of capital, 4816, 4850-4854; enforcement

of clause against this practice, 4817-23, 4844; false system of forming balance sheets, which ought to define profits and losses, 4824-4843, 4845-4848; witness's societies are terminating ones, 4826-4828; would limit lending powers of societies to a term of 14 years, 4854, 4855-4867; limit to borrowing powers, 4854-4856; formation expenses, 4858-4861; reserve fund, 4862-4864; general ignorance of members respecting building societies' accounts, 4868-4870; statement of the Fifth Working Men's Building Society, 4873-4885; commencement of terminating societies, 4886; permanent societies compared with terminating ones, 4887-4890, 4892; tables, 4891; permanent societies in Sunderland, 4892; land society, 4893, 4894; the Durham County Society, 4894-4897; number of societies which have failed, 4898, 4899; number now in existence in Sunderland, 4899.

#### CAPITAL :

Moveable in building society, fixed in joint stock company, *Grüneisen*, 7389; *Strachan*, 4656-60; comparison between share and borrowed in principal building societies, *Higham*, 2961 and foll.  
 In Newcastle and Gateshead societies, *Strachan*, 4602 and foll., and returns annexed.  
 Payment of profits out of, *Campbell*, 4816 and foll.

#### CARDIFF :

Building Society at, *Higham*, 2965.

CARLTON BUILDING SOCIETY. See *Parker*.

CAVENDISH BUILDING SOCIETIES. See *Hoare*.

CENTRAL PERPETUAL BUILDING SOCIETY, Liverpool. See *Hosking*.

#### CERTIFICATE :

Barrister's, of rules, *Brabrook*, 3228, 3251.  
 Form of, *Brabrook*, 3232.  
 Proposed character of, under Mr. Gourley's Bill, *Higham*, *Warner*, and *Hoare*, 3023 and foll.; *Brabrook*, 3246 and foll.  
 Is not now conclusive of legality, *Higham* 3033; *Brabrook*, 3379.  
 Illusory, *Strachan*, 4738.  
 Of alterations, of rules, *Higham*, 3024.  
 Of appointments of new trustees *Brabrook* 3233.  
 Of discharge, *Peacock*, 4361.  
 Directors', for money lent to society, *Higham*, 2975.  
 Of deposit, form of, *Allott*, 7840.  
 Of paid-up shares, *Harle*, 8174-81.  
 Surveyor's, as to buildings, *Taylor* 3687 *Grüneisen*, 7373; *Whittingham*, 7381.  
 Director's, for money lent to society, *Higham*, 2975.

CERTIFYING BARRISTER. See *Registrar*.

CHATHAM BUILDING SOCIETY, Liverpool. See *Jones*.

#### CITY OF LONDON

Building Society. See *Parker*.  
 Mutual Building Societies. See *Higham*.

CIVIL SERVICE BUILDING SOCIETY. See *Parker*.

CLARENDON PERPETUAL BUILDING SOCIETY. See *Hosking*.

#### CLERK OF THE PEACE :

Duplicates of rules sent to, *Brabrook* 3230-1; *Peacock*, 4345.  
 Of alterations, *Ingle*, 7177.  
 And of appointments of new trustees, *Brabrook*.

#### COLLATERAL SECURITIES :

Not generally taken, *Higham*, 2902; not taken in Bowkett societies, *Bowkett*, 4179.  
 Taken by "Sun," *Warner*, 2940.  
 Sometimes taken by "City Mutual," *Higham*, 3102; by "Queen's," Manchester, *Woodhouse*, 6031; by "Sheffield and South Yorkshire," *Allott*, 7911, 7914.  
 Disapproved, *Higham*, 3100, 3103; *Strachan*, 4651-4; *Williams*, 7565.  
 Approved, *Warner*, 3101; *Peacock*, 4353-60; *Lea*, 6025-30 6032-3.

COMMERCIAL BUILDING SOCIETY Liverpool. See *Hosking*.

#### COMMISSION :

On loans charged by societies, *Lund*, 6716-7; *Allott*, 7788, 7793-4, 7868-9.  
 On sales, to agents, *Grüneisen*, 7427.  
 Banker's, *Allott*, 7820.



## COMPANIES ACT :

As to bringing building societies under, *Brabrook*, 3406 and foll.; 3470 and foll.; *Selway*, 3532-5; *Binns*, 6790; *Ingle*, 7928 and foll.; *Ingoldby*, 7263.  
Best adapted for land societies, *Grüneisen* and *Whittingham*, 7386, 7392.  
And see *Williams*, 7544, 7592, 7594.

CONSERVATIVE LAND SOCIETY. See *Grüneisen*.

## CONSOLIDATION :

Of law, as to building societies, required, *Higham*, 3021, 3067-8; *Warner*, 3131; *Phillips*, 6150; *Grüneisen*, 7435.

Not required, *Hosking*, 6557-9.

CONTINGENT FUND, in "Third Bradford Equitable," *Lund*, 6713 and foll.

CONTRIBUTIONS. See *Subscriptions*.

## COUNTY COURT :

Application to, in winding up, proposed, *Higham* and *Warner*, 3056; approved, *Strachan*, 4739.

In disputes, &c., proposed, *Higham*, 3104-14, 3175; approved, *Strachan*, 4775-6, 4803, 4809; *Harle*, 8258; objected to, *Ingle*, 7194-5.

Benefits of, doubtful, *Brabrook*, 3452-4.  
Appeal, should be from, *Middleton*, 5076-9, 5095-100, 5112-22.

And see *Middleton*, 5093-4, 5165, 5167-8; *Williams*, 7536-7.

COUNTY FRANCHISE. *Brabrook*, 3497-8; *Winterbotham*, 4044-7.

COUNTY PALATINE BUILDING SOCIETY, *Sunderland*, *Campbell*, 4854.

CROSS LANE PERMANENT BUILDING SOCIETY, *Manchester*. See *Lea*.

DAWSON, THOMAS, 4969-5200 - - - p. 105.

President of the Leeds Permanent Benefit Building Society, founded in 1848, 4969, 4983. Statement as to the management and operations of this society, 4971-5035, 5054, 5056, 5085, 5086, 5125, 5129-5133, 5140-5149, 5182-5189; fines, 5024-31; branch societies, 5065-5074; borrowing powers, 5139, 5191; power for member to nominate recipient of his share in case of death and in the absence of probate, 5151; speculations in land, 5154-5157; registration advisable, 5158; annual statement of accounts, 5170-5177; exemption from stamp duties, 5178-5181; minors, 5192-5196; terminating societies in Leeds, 5197-5199.

## DEEDS :

Deposit of, loans on, less likely with trustees than in corporate body, *Brabrook*, 3258.

Should be prohibited, *Brabrook*, 3325; *Blake* and *Selway*, 3621-2; *Strachan*, 4685; *Williams*, 7565. Sometimes required by or made to bankers, *Middleton*, 5148; *Lea*, 5862; and see *Bankers*.

By one society with another, *Ascroft*, 6265 and foll.

Objectionable and rarely done, *Phillips*, 6207-8.

As to verifying possession of, *Williams*, 7621-3.

And see *Advances*, *Loans*, *Collateral Security*.

## DEPOSIT NOTE :

*Selway* and *Blake*, 3579, 3637-41; *Ravenscroft*, 7741-2, 7070-3, 8093.

## DEPOSIT :

Of deeds. See *Deeds*.

Taking money on, not countenanced by the certifying

barrister, *Brabrook*, 3306.

Origin of, *Ravenscroft*, 8077.

Ought not to be encouraged, *Brabrook*, 3309, 3346.

The system defended, *Allott*, 7872 and foll.

Highly approved of, rather than large loans, *Williams*, 7492.

The practice largely resorted to, *Higham*, 2965-7, 2975-82, 3145-8; *Brabrook*, 3307, 3417-8.

Necessary at least to permanent societies, *Ravenscroft*, 8078.

Should be legalized, *Allott*, 7856.

Its advantages, *Warner*, 3139-40; *Taylor*, 3820; *Winterbotham*, 4012-16; *Peacock*, 4441; *Taylor*, 4506-9; *Phillips*, 6114, 6123; *Hosking*, 6518-20, 6548-54.

The society which takes most the most stable, *Hoare*, 3148.

Its disadvantages, *Baynes*, 3140; *Harle*, *passim*.

Protection which should be given to persons lending on, *Strachan*, 4720-31; *Campbell*, 4854; *Hosking*, 6518-9; *Ingoldby* and *Ingle*, 7129-44.

Nature of security now given for, *Higham*, 2975-82; *Selway*, 3579-80, 3641; *Blake*, 3613, 3637-8, 3640; *Fatkin*, *Dawson*, and *Middleton*, 5131-6; *Phillips*, 6118; *Allott*, 7733, 7840, 7849-51, 7915-8.

Inflow of money on, has to be checked by reduction of interest, &c., *Higham*, 3181; *Phillips*, 6111-5; *Ingoldby*, 6984; *Allott*, 7859.

No maximum of, should be limited, *Strachan*, 4715-6.

Deposits of any amount, taken as shares, *Allott*, 7839-52.

Instances of societies taking; the "Sun Permanent," *Warner*; "London and General Permanent," *Selway*; "Greenwich Industrial Permanent," *Blake*; "Bristol Equitable Permanent," *Brown*; "Leeds Permanent," *Dawson*, *Middleton*, and *Fatkin*; "Freeholders," &c., *Birmingham*, *Taylor*; "Burnley," *Lee*; "Queen's," *Manchester*, *Woodhouse*; "Temperance," *Phillips*; "Bradford Third Equitable," *Binns* and *Lund*; *Sheffield Societies*, *Ryalls*, 6809 and foll.; *Allott*, 7714, 7731, 7733-46, 7871, 7892 and foll.; "Planet," *Ingoldby* and *Ingle*; "Conservative Land," *Grüneisen*; "Birkbeck," *Ravenscroft*.

Transfer of, from one society to another, *Allott*, and see *Williams*, 7510.

DEPOSIT SHARES. See *Paid-up Shares*.

## DIRECTORS :

Functions and remuneration of, *Higham* and *Warner*, 2917-9, 2951-2; *Blake* and *Selway*, 3603, 3608, 3615-7; *Taylor*, 3961-2; *Prangnell*, 4240; *Strachan*, 4713.

Act gratuitously in "Stroud Provident," *Winterbotham*, 4052; in "38th Stann-Bowkett," *Prangnell*, 4240; in "Landore" societies, *Thomas*, 4477-8.

Should have discretion as to buying or building office, *Higham*, *Warner*, and *Baynes*, 3081-5; *quære*, *Hoare*, 3085; and see *Brabrook*, 3489-94.

Should have control of funds, *Andrew*, 5566 and foll.; of loans, *Higham* and *Baynes*, 5149-51.

Advances to, *Williams*, 7554.

DISSOLUTION. See *Winding-up*.

DUKINFIELD CROWN BUILDING SOCIETY. See *Andrew*.

DURHAM COUNTY BUILDING SOCIETY, *Sunderland*, *Campbell*, 4816, 4896.

EDGE HILL PERPETUAL BUILDING SOCIETY. See *Hosking*; and *Windsor Perpetual Building Society*. See *Hosking*.

EIGHTH WORKING MEN'S BUILDING SOCIETY, *Sunderland*. (See that heading and *Campbell*.)

EMBEZZLEMENT. See *Frauds*, *Penalty*.

## ENTRANCE FEE :

Charged in terminating societies to members joining after commencement, *Higham*, 2878.

None in "Queen's," *Birmingham*, *Taylor*, 3657.

Charged in "Leeds Permanent," *Dawson*, 5022, 5107-8; in *Liverpool* societies, *Jones* and *Reay*, 5210, 5237;

*Priest*, 6400-5; in "Planet," *Ingoldby*, 7046; in "Sheffield and South Yorkshire," *Allott*, 7801, 7814;

in "Birkbeck," *Ravenscroft*, 7998-9, 8118-20.

None to preference shareholders (in *Liverpool* societies), *Jones* and *Reay*, 5211, 5241.

## EXEMPTION FROM STAMP DUTIES :

History of, *Harle*, 8162; but see *Hosking*, 8578.

Defended generally, *Taylor*, 3765, 3909-15, 3934;

*Winterbotham*, 4093-4101, 4109-14; *Brown*, 4100-9,

4112; *Phillips*, 6188-97; *Hosking* and *Priest*, 6452-83, 6578, 6580-90.

Total, cannot be claimed, *Strachan*, 4763.

(As it now exists), supported, *Brabrook*, 3409-10;

*Selway*, 3537; *Winterbotham*, 4093, 4101-9; *Prangnell*,

4280-5; *Peacock*, 4436; *Middleton*, 5178-80; *Jones*,

5364-6; *Lee*, 5829-5836; *Ascroft*, 6301-8; *Bims*,

6770-80; *Allott*, 7866, 7935.

Is of little consequence, *Bowkett*, 4278-80; *Strachan*,

4769; *Ingle* and *Ingoldby*, 7232, 7244-5; *Whittingham*

and *Grüneisen*, 7393-6.

And see also *Jones*, 5367; *Reay*, 5367-8.

Objected to, *Ryalls*, 6879-82; but see 6958-60;

*Williams*, 7611; *Harle*, 8205 and foll., 8245 and foll.

Without the present limit to mortgages under 500*l*. supported, *Higham*, 3209-3215; *Taylor*, 3797-3814. The limit specifically objected to, *Hosking*, 6452-7, 6592-3; *Priest*, 6637. The limit approved of, *Brabrook*, 3360; *Middleton*, 5179; *Reay*, 5366; *Ascroft*, 6303. Special views as to, *Strachan*, 4763-9; *Lund* and *Binns*, 6784-7. Removal of, especially objected to by terminating societies, *Higham*, 3211.

EXPENSE FUND. See *Management Fund*.

FATKIN, THOMAS, 4969-5200 - - - p. 105. Secretary to the Leeds Permanent Benefit Building Society, 4970; average number of shares of borrowing members, 5031, 5125; accounts, 5068, 5085, 5086; profits, 5108; deposits, 5131-5133, 5142, 5143; loan account, 5144a-5146, 5149, 5190; terminating societies, 5198-5199.

FEEs:

For certifying rules and alterations, *Brabrook*, 3363; *Peacock*, 4377. Registration department might be made self-supporting by means of, *Brabrook*, 3454; *Ingle*, 7256-8. Directors, for examining societies, *Andrew*, 5563, 5569. Inspection, *Ryalis*, 6911-3. Transfer, *Lund*, 6661; *Ingoldby*, 7064, 7066. Entrance. See *Entrance*.

FIFTH ALLIANCE PERMANENT,—BOROUGH,—PRINCE LLEWELLYN,—SHEFFIELD AND ROTHERHAM—WORKING MEN'S BUILDING SOCIETY. See those headings.

FINES:

Rates of, *Higham*, 2985-93; *Warner*, 2988, 2991-3; *Brabrook*, 3480-6; *Selway*, 3592-5; *Taylor*, 3679-80, 3702-4; *Winterbotham* and *Brown*, 4073-8; *Prangnell*, 4236-8; *Thomas*, 4559-69; *Dawson*, 5024-31; *Jones* and *Reay*, 5268-81; *Andrew*, 5545-9, 5563-4; *Lee*, 5708-19; *Lea*, 5878-9; *Phillips*, 6076-83; *Priest*, 6407-16; *Hosking*, 6513-4; *Lund*, 6672-6; *Ingoldby*, 7067-75, 7218-20; *Grüneisen*, 7333; *Allott*, 7802-6, 7886; *Ravenscroft*, 8042-4.

Are excessive in a great majority of cases, *Peacock*, 4586. Should be heavy, to induce regular payment, *Higham*, 2985, 2993; *Peacock*, 4586; *Reay*, 5272; *Grüneisen*, 7344.

Heavy fines salutary, but *quere* necessary, *Allott*, 7805. 20 per cent. in "Fourth City Mutual," *Higham*, 2286; and generally in London societies, 2987.

30 per cent. in "Sun," but rather high, *Warner*, 2988, 2991.

40 per cent. highest in London, *Warner*, 2921.

60 per cent. formerly charged in London, but excessive, *Higham*, 2986, 2989.

60 per cent. the general amount, and held judicially not unreasonable, *Brabrook*, 3480-3.

The ordinary rate in Sheffield, *Allott*, 7802-4. Charged by "London and General," *Selway*, 3592-5. Never less in Liverpool, *Reay*, 5271; and see *Hosking*, 6514.

About 115 per cent. in "38th Starr-Bowkett," *Prangnell*, 4238.

Rise as high as 480 per cent. for investors, and nearly double that for borrowers, in Landore societies, *Thomas*, 4560-9.

Very low, and limited, in "Leeds Permanent," *Dawson*, 5024-5.

No fines to investors in "Queen's," Birmingham, *Taylor*, 3657, 3683, 3852, 3856; in "National Freehold Land," *Whittingham*, 7341-2.

No fines, but increased subscriptions, in Bowkett societies, *Bowkett*, 4181-3.

Practice of not fining investors salutary, *Taylor*, 3965; and see *Reay*, 5281.

Payments as regular since abolition of fines as before, *Whittingham*, 7342.

Power to remit, in "Strand Provident" Society, *Winterbotham*, 4078; in Oldham societies, *Ascroft*, 6241-2.

None, in "Bristol Equitable" Society, *Brown*, 4078; in "Conservative Land," *Grüneisen*, 7343.

Is now frequent, *Peacock*, 4587.

Remissions without power, *Thomas*, 4589; *Ingoldby*, 7073.

Infliction of, frequent in Landore societies, *Thomas*, 4566; in "Ashton-under-Lyne Permanent," *Andrew*, 5547-8; in "Temperance," *Phillips*, 6081; in "Planet," *Ingoldby*, 7074-5.

Infrequent, in "Bristol Equitable," *Brown*, 4077; "Leeds Provident," *Dawson*, 5027, 5030-1; "Burnley," *Lee*, 5718-9; in certain Liverpool societies, *Priest*, 6413-7; *Hosking*, 6513-4; in "Third Bradford Equitable,"

*Lund*, 6674-6; in "Sheffield and South Yorkshire," *Allott*, 7806; in "Birkbeck," *Ravenscroft*, 8045.

Heavy amount of, a bad feature, *Jones*, 5272.

Paid in great measure by speculative builders, in "Temperance," *Phillips*, 6203.

Registrar might have power to regulate, by refusal to certify, *Brabrook*, 3486.

Should not have such power, but might determine that fine was excessive, *Peacock*, 4590-1.

To be inflicted on officers of building societies for not sending in accounts, *Williams*, 7546 and foll.

FIRST BOROUGH,—CITY MUTUAL,—FREEHOLDERS,—IMPERIAL,—NORFOLK BUILDING SOCIETY. See those headings.

FORGERY. See *Frauds*, *Penalty*.

FORMATION EXPENSES: *Campbell*, 4816, 4858-61.

FORMS:

Of returns of accounts or balance sheets should, or might advisably be fixed, *Thomas*, 4525; *Strachan*, 4788-9; *Campbell*, 4822-3; *Parker*, 4917-18; *Lee*, 5760-70; *Phillips*, 6199; *Williams*, 7507 and foll.

Could not, or could hardly be fixed, *Higham*, 3205-8. Could be the same for all classes of societies, *Lee*, 5762-4.

Must vary with the class, *Higham*, 3208; *Phillips*, 6200; *Williams*, 7526.

For permanent societies, suggested, *Williams*, 7526-9. Of rules, should be inserted in Act, *Ingle*, 7166-79.

Of mortgage, should be enacted, *Ingle*, 7182-4, 7205-6. Of certificate of deposit, *Allott*, 7840.

Present form of certificate of registration, *Brabrook*, 3232. And see forms annexed to *Williams's* evidence, pp. 211-4.

FORECLOSURES, *Higham*, 2996-9; *Phillips*, 6179-81.

None, as in ordinary mortgage transactions, *Phillips*, 6179.

Surplus on, repaid to members, *Higham*, 2996; *Phillips*, 6179-80.

Chiefly in case of builders, *Higham*, 2999.

None, from non-payment in "Queen's," Birmingham, *Taylor*, 3685-6.

Infrequent in "Sheffield and South Yorkshire," *Allott*, 7888; in Newcastle, since premiums were abolished, *Strachan*, 4647.

FOURTH ALLIANCE,—BOROUGH,—CITY MUTUAL,—SHEFFIELD UNITED,—SWAN BUILDING SOCIETY. See those headings.

FRAUDS, cases of, *Brabrook*, 3388, 3391; *Strachan*, 4616, 4744-50; *Reay*, 5333; *Allott*, 7737-8.

Provisions against, *Higham*, 3188-91; *Brabrook*, 3389-90.

And see *Lee*, 5734-9.

See also *Penalty*.

FREEHOLD LAND SOCIETIES. See *Land Societies*.

FREEHOLDERS':

Building Society, Birmingham. See *Taylor*.

Building Societies, Manchester. See *Lea*.

FRIEDLEIN, C. D., ARNALDO, 8270-8342 - - - p. 237.

Has paid much attention to the subject of building societies, and has published two pamphlets thereon, 8270, 8271; formation by witness, and successful working of the Victorian Permanent Property Investment and Building Society in Australia, 8272-8274; mutual societies, although to a certain extent wrong in principle, cannot effect much harm, 8274; errors of the Free Permanent Building Societies (as shown in the A. and B. societies) deceptions practised with regard to interest charged to borrowers; high rate of repayments for redemption; unfair amount paid for interest and working expenses by borrowers; and the treating of premiums not received, as part of the income of the society, 8274-8297, 8311-8342; false calculation of redemption tables by the C. Building Society, 8298; mis-statements in the balance sheet of the D. Building Society, 8298-8310; the complication of building societies' accounts renders a certain control over them on the part of the Government desirable, 8342.

FRIENDLY:

Building Society, Birmingham. See *Taylor*.

Society, very different from building society, *Higham*, 3050, 3090, 3179; *Parker*, 4913-4.

Societies, invest in Ashton with building societies, *Andrew*, 5626 and foll.

Societies Acts, application of to building societies, *Higham*, 3009-16, 3047; *Brabrook*, 3239, 3390, 3433; *Hosking* and *Priest*, 6558, 6564; *Ingle*, 7181, 7217; *Whittingham* and *Grüneisen*, 7393-4; *Harle*, 8212; and see



## FRIENDLY:

*Higham and Warner*, 3050-9, 3067-92, 3168, 3174, 3187-92, 3197, 3207, 3209; *Peacock*, 4384; *Parker*, 4913-4; *Lee*, 5771, 5780.

FRIENDSHIP BUILDING SOCIETY, Ashton. See *Andrew*, 5503-6.

## GATESHEAD:

Building societies in, see *Strachan*, and *Statistics*.

GRUNEISEN, CHARLES LEWIS, 7264-7449 - p. 194.

Secretary to Conservative Land Society, enrolled as Building Society, 7265-7271; amount of shares, 7318-7320; interest, 7321-7326; quarterage for expenses, 7323-7325; honorary members' subscriptions, 7327, 7328; advances made to persons who purchase land from United Land Company, 7329-7337, 7348-7360, 7371-7378; practice of fines necessary to insure regularity of payments, 7343, 7344; connexion between Conservative Land Society and United Land Company, 7345, 7346; balance due from Land Company, 7348-7350a, 7436-7449; deposits, 7361-7364, 7367; withdrawals, 7365, 7389, 7390; "Brighton houses suspense account," 7368-7370; original object in enrolling Conservative Land Society as building society, 7382, 7383; trade in land should be free, 7386, 7392; exemption from stamp duty a matter of no importance, 7393; practice of making advances through local agents in various parts of the country advantageous, if conducted with prudence and caution, 7415-7425; advantage of throwing open trade in land, by making change in the registration of titles and mortgages, 7433, 7434; desirability of consolidating present Acts relating to building societies, 7435.

GUARANTEE FUND. See *Reserve Fund*.

HALIFAX PERMANENT BUILDING SOCIETY, *Lund*, 6746, 6751 and foll.

HARLE, WILLIAM LOCKEY, 8161-8269 - p. 230.

Formation by witness and gradual development of Terminating Building Societies at Newcastle-upon-Tyne, 8161-8167; system of bidding for shares, 8162; borrowing powers, 8162-8167, 8225-8228; adoption of the permanent principle, 8162, 8168; establishment of Northern Counties Society, 8168; rule respecting borrowing powers certified by Mr. Tidd Pratt, 1868-8174; certificates of paid-up or preference shares, issued by Newcastle-upon-Tyne Permanent Benefit Building Society, 8174-8181; danger of advancing money upon these securities, 8181-8191; change in the character of building societies, since the passing of the Act 6 and 7 Wm. 4th, rendering legislation necessary for protection of their capital, and to enable them to conduct their business on the principle of joint-stock companies, 8203, 8222-8224, 8229-8231, 8249-8264; exemption from stamp duties objected to, 8204-8214, 8244-8248; financial position of building societies should be shown, as in the form of a bank return, 8215-8219; injury done to banking interests by building societies, 8219-8221; causes of insolvencies in the north, the danger of which would be lessened by system of terminating societies, 8232-8242; recommends audit of accounts, 8266, 8267; building societies should not be treated otherwise than as matter of business for all classes, 8269.

HERCULES PERMANENT BUILDING SOCIETY. See *Priest*.

HIGHAM, JAMES, 2849-3223 - - - p. 1.

Secretary to Fourth City Mutual Building Society, 2849; gives account of growth of terminating societies in London, 2850-2880, and see 2963, 2976, 2995, 3001, 3126, 3130, 3143, 3216-3232; of permanent ones, 2876-2884; of Starr-Bowkett societies, 2884-2888, and see 2962; of land societies, 2888-2893, and see 2961; of societies for building houses, 2894-2897; building societies proper simply make advances on buildings, 2897-2907, 2977, 3121; they do not encourage working men to build, 2904-2907; transactions and management of the Fourth City Mutual, 2905-2954, 2984-2986; as to borrowing powers in building societies, 2857-2870, 2954, 2957-2959, 2965-2982, 3137-3164, 3180-83; statistics of building societies, 2961-2970, 3148; composition of building societies, 2982-3; fines in building societies, 2985-2993; how payments are made, 2994-2995; foreclosures, 2996-2999; rates of repayment, 3000-3001; observations on 6 and 7 Wm. 4th, c. 32, 3007-3016, 3047, 3060-3066, 3393-3098, 3115, 3120-1, 3123, 3214; on Building Societies Acts Consolidation Bill, 3021-3215; necessity for consolidation of law, 3021, 3067-8; registration of

building societies, 3022-3046, 3070; registrar not to inquire into general legality of rules, 3025-3046; winding up of societies, 3048-3053; limiting of shares and subscriptions, 3060-3066; bankruptcy of officers, 3073-3075; trustees, 3076-3078; amalgamation of societies, 3079-3080; buildings for offices, 3080-3090; minor members, 3091, 3200-3202; payment of profits, 3093-4; investment of surplus funds, 3098-9, 3176-3184; collateral securities, 3100-3103; county court jurisdiction, 3104-3114, 3175; unsoundness of building societies as originally constituted, 3130-1; borrowing powers should be limited, 3139-3141, 3151, 3164; proportion of subscriptions and borrowed money in building societies, 2965-2967, 3146-3148; difference of opinion as to the limit, 3139, 3152; alterations of rules, 3165-3167; change of name, 3070, 3169; officers' securities, 3171-3174; punishment of frauds, 3187-3191; connexion of officers with several societies, 3194-3196; arbitration, 3112, 3195-3199; general statements and returns, 3204-3209; exemption from stamp duties, 3209-3215; repayments of loans, 3216-3222; public audit not desirable, 3223.

HOARE, WILLIAM S., 2849-3223 - - - p. 1.

Secretary to First Imperial, Cavendish, and Cavendish Permanent Building Societies, 3002-6; is connected with six or eight societies.—Mr. *Higham*, 3194; rates of repayment, 3002-3004; discrepancies in Registrar's practice as to certifying, 3019, 3026-3029, 3040, 3143; Registrar should not have power to look into legality of rules, 3026-3028; winding-up clauses, 3026-3029, 3048; payments in advance, 3066; injustice and mischief of original building societies, 3066, 3126-3130; necessity for keeping record of societies, 3070; trustees should be done away with, 3077; as to purchase of offices, 3085; inconvenience of indorsements by trustees, 3097; as to collateral securities, 3102; mode of making advances in early building societies, 3126-3130; only terminating societies existed when 6 and 7 Wm. 4, c. 32, was passed, 3128; as to terminating societies generally, 3126-3130, 3132-3136, 3139, 3184; borrowing indispensable to terminating society, 3134-3136; but is only requisite at commencement, 3139; limit of loans to two-thirds of capital too small for terminating society, 3139, 3140; limit should be on amount advanced, 3140, 3141; society which gets most deposits the most stable, 3148; the public do not consider the amount borrowed, 3163; alteration of rules, 3166; investment of funds with kindred societies, 3179; need for means of investment in terminating societies, 3184; as to costs of arbitration, 3198; minor members, 3200, 3202-4; as to general statements, 3204; difficulty of dealing with unpaid mortgages on dissolution, 3222.

HOLBECK (TERMINABLE) BUILDING SOCIETY, *Leeds*, *Dawson*, 5197.

HOSKING, JOSIAH, 6354-6639 - - - p. 158.

Represent 20 building societies in Liverpool, the majority of which are permanent, 6354, 6355, 6638; explanation of the term "premium" as applicable to a terminating society, 6447-6450; reasons for a repeal of the law respecting alteration of stamp duties, 6452-6461, 6584-6593, 6639; solicitors' charges in Liverpool, 6482, 6483; formation of Roscoe Building Society (Permanent), 6488-6490; formation and transactions of "Commercial Society," 6490-6516; the prohibition of paid-up shares a mistaken construction of Building Societies' Act, 6497-6500; depression of business in Liverpool through overbuilding, 6515; builders' speculations not encouraged by building societies generally, 6515, 6540-6542; borrowing powers of vital importance to terminating societies, and very valuable to permanent ones, 6516-6518; present limit sufficient for Liverpool societies, 6517, 6556; power to issue "preference shares" at reduced rate of interest, 6519, 6550-6554; would have an unlimited power of borrowing, the security being amount lent upon mortgage, 6520, 6521, 6547-6549, 6595-6601; objects of Liverpool Building Societies' Association, 6522; number of Building Societies in Liverpool, 6523-6525; terminating as compared with permanent societies in Liverpool, 6526-6528; large advances made by permanent societies on surveyors' valuation, 6529-6535, 6544-6546; failure of the land society system, 6536, 6537; meetings, 6538; election of officers, 6539; class of members, 6543-6545; objections against repealing the present Act, 6557-6559; periodical investigation of accounts unnecessary, an annual statement to each member being compulsory under the Act, 6560-6563, 6568-6572; history of the Building

Societies' Act, with statement as to the encouragement given to building societies by Lord Montague, who looked upon them as somewhat in the nature of savings banks, 6573-6583; working men's houses, 6594; advances made by Central Perpetual Benefit Building Society, 6602-6609; Fourth Alliance Benefit Building Society, 6610; Edge Hill Perpetual Benefit Building Society, 6616-6620; and Clarendon Perpetual Building Society, 6621, 6622; system of mutual loans introduced by witness, 6610-6615; failure of societies intended to be permanent, 6621-6627; three-fourths of Liverpool societies satisfied with the present position of affairs, 6638.

HOUSEHOLDERS' BUILDING SOCIETY, Manchester. See *Williams*.

# HOUSES:

13,000 in Birmingham, belonging to working men, *Taylor*, 3666.

Few members in Birmingham have more than one or two, *Taylor*, 3668.

Minimum value of, for working man, in Birmingham and Sheffield, 100*l.*, *Taylor*, 3895; *Allott*, 7811; near Stroud, 80*l.*, *Winterbotham*, 4100; near Swansea, 85*l.*, *Thomas*, 4297, 4299-4300; Ashton-under-Lyne, 100*l.*, or "single houses," 50*l.*, *Andrew*, 5492, 5592, and foll.; Manchester, 150*l.*, *Woodhouse*, 6043-4; Bradford, 100*l.* to 200*l.*, *Binns*, 6782.

Number of, built through Landore and other societies at Swansea, *Thomas*, 4552-3; through Ashton societies, *Andrew*, 5603, 5614-6; and see *Binns*, 6781.

Built by builders and sold to members, *Jones*, 5262; *Woodhouse*, 6038-44; *Phillips*, 6174.

Built by millowners for their hands, *Andrew*, 5615-23, 5633-4.

Lending on, pays better than buying land, *Phillips*, 6137-8; and see *Hosking*, 6458-60, 6545.

# INCOME TAX:

Members of building societies not exempt from, *Brabrook*, 3361.

Difficulties in building societies as to, *Lee*, 5780-5.

Building societies should pay, *Ryalls*, 6935.

# INCORPORATION

of building societies, recommended by Sir Roundell Palmer, *Higham*, 3077.

Witnesses in favour of, *Higham* and *Hoare*, 3077; *Selway*, 3528-34; *Brown*, 4117; *Binns* and *Lund*, 6787-90; *Ingoldby*, 7115-21, 7197.

Comparatively indifferent, *Peacock*, 4389; *Strachan*, 4670, 4718.

Against, *Brabrook*, 3257-67; *Blake*, 3539.

Should or might be under Industrial and Provident Societies Act, not under Companies Act, *Selway*, 3532-3534.

Might be under Companies Act, *Binns*, 6790; *Ingoldby*, 7120.

Should be, as under Industrial and Provident Societies Act, *Lund*, 6790.

INDUSTRIAL PERMANENT Building Society, Greenwich. See *Blake*.

AND PROVIDENT SOCIETIES ACTS, as to bringing building societies under, *Brabrook*, 3257; *Selway*, 3530-3; *Lund*, 6790.

INGLE, JOHN, 6966-7263 - - - p. 184.

Solicitor to Planet Building Society, 7021; mode of construing the Act of 6 & 7 Wm. 4th, as applicable to the withdrawal of shares, 7021-7036, 7156-7158; law respecting liability of members, 7124-7127, 7139-7147, 7263; limitation of borrowing powers, 7156-7158, 7207-7212; suggests formation of a standard set of rules for each class of building society, 7166-7181, 7214-7216, 7249-7258; opinion respecting the duties of Registrar, 7170, 7177; advantages of having simpler form of mortgage, 7182-7184, 7205, 7206; voting by proxy, 7185-7189; arbitration, 7190-7197; possibility of forming society under Joint Stock Companies Act, 7228-7231; exemption from stamp duty, 7228, 7232, 7233.

INGOLDY, FREDERICK, 6966-7263 - - - p. 184.

Chairman of "Planet" Building Society, 6966; management and transactions of this society, 6968-7020, 7036, 7114, 7198-7204, 7218-7221; rule and practice, respecting "part paid-up shares," 6988-7010, 7036-7042; withdrawals, 7010-7020, 7147-7155; advantages of incorporation under Limited Liability Act (Bill prepared by Planet Society for this purpose), 7115-7121, 7197; necessity of a change in the law respecting liability of members, 7122-7124, 7128-7138; limitation of borrowing powers, 7151-7153; reserve fund, 7159-

7162; rights and advantages of borrowing members, 7163, 7164, 7221, 7222, 7233-7241 inadequate representation of members at meetings, 7186, 7187, 7216, 7217; clause in proposed Bill respecting power to purchase and hold land, 7223-7227, 7259-7263; exemption from stamp duties, 7242-7248; impracticability of incorporating the "Planet" Society at present, under the Joint Stock Companies Act, 7263.

# INNS:

Societies in Ashton usually formed and meet at, *Andrew*, 5506 and foll.

Ditto, in Oldham, *Ascroft*, 6244 and foll.

And see *Public-houses*.

# INSURANCE:

Policy of life, as collateral security, approved, *Peacock*, 4355-9.

Disapproved, *Strachan*, 4651-2.

From fire, fund for, in "Leeds Permanent," and recommended generally, *Middeton* and *Dawson*, 5050-60, 5110-1.

INSPECTORS, *Ascroft*, 6333-7. See *Survey Committee*.

# INTEREST:

Rates of, chiefly copied by one society from another, *Parker*, 4958.

Charged to borrowers: rate of, varies in almost all societies for long and short periods, *Friedlein*, 8278 and foll.

True rate of, is not fairly set forth, 8274-96.

(Nominal), 4 per cent., *Higham*, 2984.

4, 4½, 4¾, *Parker*, 4933, 4956.

4½, *Dawson*, 4990, 4992; *Lund*, 6664-7.

5*l.* per cent., *Taylor*, 3676; *Winterbotham*, 4007; *Brown*, 4068; *Thomas*, 4469-73; *Strachan*, 4620-9; *Jones*, 5224; *Andrew*, 5438-9; *Lee*, 5669; *Lea*, 5869; *Phillips*, 6069; *Ascroft*, 6221-6.

5 to 6, *Hosking*, 6503a, 6505; *Whittingham*, 7311-3.

5¾, *Ingoldby*, 7057.

5¾, *Allott*, 7792-3.

6*l.* per cent., *Blake*, 3606.

5, 6, 7, according to method of repayment, &c., *Ravenscroft*, 7994.

(Real) 8 per cent., *Higham*, 2984; *Ravenscroft*, 8006.

7 to 8½, *Parker*, 4945; more frequently 7 to 7½, 4948.

7½ to 8, *Warner*, 2984.

7½, *Reay*, 5423.

6½, *Taylor*, 3794.

5½ to 5¾, *Winterbotham*, 4007.

6 per cent., *Phillips*, 6184-6; *Hosking*, 6501, 6519; *Allott*, 7800, but see 7910.

5½ or 6, *Priest*, 6397-403.

6½ to 6¾, *Ingoldby*, 7085.

Sometimes taken for whole period of loan, *Brabrook*, 3404-5; *Bowkett*, 4196.

Is often 15 to 20 per cent., *Bowkett*, 4195-6, 4209; *Allott*, 7800; but see 7910.

To Investors:

Not allowed to be paid till share realized, by present law, *Higham*, 3093-4; *Taylor*, 3658, 3672; *Lee*, 5780; *Hosking*, 6502; *Ingoldby*, 6993.

But some of largest offices do pay, *Higham*, 3094.

Very few societies observe the rule, *Williams*, 7506.

Capitalized, *Dawson*, 4994-8.

Various Rates paid:

5 per cent. and yearly increasing addition or bonus, *Selway*, 3586.

5 per cent. compounded annually, with bonus, *Winterbotham*, 4004-5.

5 per cent. compounded interest, *Brown*, 4068; and bonus, *Allott*, 7826-34.

5 per cent. paid monthly, *Thomas*, 4470-1.

5 per cent., *Strachan*, 4626-8.

4½ per cent. (fixed) and bonus, *Dawson*, 4979, 5005, 5010.

6 per cent. (fixed) and bonus, *Blake*, 3606.

6½ (fixed), *Ravenscroft*, 8070.

6 and 7 per cent. (varying), *Jones* and *Reay*, 5212, 5242, 5422-7.

7 to 8, 8 to 8½, (varying), *Allott*, 7908.

8½ (varying), *Andrew*, 5542.

5 per cent. and bonus, *Lee*, 5657-60; *Woodhouse*, 5939-40; *Grüneisen*, 7321-2; *Ravenscroft*, 8013-8.

7½ per cent., *Ryalls*, 6823.

7½ per cent., on a sliding scale, but the whole only in the seventh year, *Phillips*, 6098-9, 6160-2.

5 per cent. and yearly increasing bonus, *Priest*, 6379-82.

5½ per cent to 6, *Lund*, 6653-4.

9 per cent., *Ingoldby*, 7050.

Lowering of rate of, to check deposits, *Warner*, 3140; *Higham*, 3181; *Warner*, 3185; *Selway*, 3526; *Strachan*, 4711; *Middleton*, 5140; *Fatkin*, 5144a; *Phillips*, 6113; *Ingoldby*, 6984; *Allott*, 7858-9; *Ravenscroft*, 8024.



## INTEREST:

Loans without, in "Bowkett and Starr-Bowkett Societies." See *Bowkett and Prangnell, passim*.

Power wanted, to pay half-yearly, *Taylor*, 3866, 3873-5.

On contributions paid in advance, *Dawson*, 5009-12; *Reay*, 5374; *Priest*, 6443-5.

To Paid-up (or Preference) Shareholders:

5 per cent., *Strachan*, 4633; *Reay*, 5239.

5 per cent. for 12 months, 3 per cent. for less, *Jones*, 5398.

4 per cent. and bonus, *Whittingham*, 7302-4.

To part paid-up shareholders, in "Planet" Society, *Ingoldby and Ingle*, 6990 and foll.

To Lenders:

6 to 7½ per cent., *Parker*, 4944, 4949.

4 per cent., *Hosking*, 6552.

To Depositors:

Maximum, should not be limited, *Brabrook*, 3316;

*Taylor*, 3826, 3839-40.

5 per cent., *Warner*, 3139; *Blake*, 3525; *Selway*, 3526;

*Taylor*, 3700; *Ryalls*, 6810, 6822; *Allott*, 7745.

4 to 4½ per cent., *Winterbotham*, 4012.

4 per cent., *Dawson*, 4974, 4981; *Lee*, 5656, 5663; *Lund*, 6693; *Grüneisen*, 7364; *Allott*, 7746, 7874; *Ravenscroft*, 8022.

4 to 5 per cent., *Ingoldby*, 6978, 6982-3.

7½ per cent. has been paid, *Taylor*, 3828-32.

3l. per cent. and ceasing on notice of withdrawal *Phillips*, 6111-2.

And see *Jones*, 5398-401.

## IRELAND:

Practice of Registrar in, *Higham*, 3013, 3016, and see *Higham*, 2965; *Brabrook*, 3238.

## INVESTORS:

Building societies at first only consisted of, till money lent, *Higham*, 2856, 3125.

Terminating societies closed to, after two or three years, *Higham*, 2878.

Too many, disadvantageous, *Thomas*, 4517-8.

Should only be fined in terminating society, *Reay*, 5281, And see *Members, Borrowers*.

JOINT STOCK COMPANY, distinguished from Building Society, *Strachan*, 4656-60.

## JONES, MR. THEODORE:

His tables, *Brown*, 4068-9; *Williams*, 7496-8; *Friedlein*, 8274.

JONES, JOHN LLOYD, 5201-5467 - - - p. 117.

Secretary to the Chatham and Second Chatham Building Society (Permanent) at Liverpool, 5201, 5202; management and transactions of these societies, 5204-5236, 5250-5286, 5315, 5316, 5370-5401; members, 5204-5207; ordinary shares, 5208-5212; preference shares, 5208-5222, 5266-5270, 5374-5376, 5388-5393; interest, 5223-5226; 5370-5373, 5398-5401, 5427; premiums for advanced shares, 5227-5233, 5236; capital, 5250-5253; withdrawals, 5254, 5436; amount of mortgage, 5256-5258; fines, 5269-5273, 5278-5281; reserve fund, 5283-5286; permanent as compared with terminating societies in Liverpool, 5291, 5295; advances, 5315, 5316, 5321, 5328, 5377, 5418, 5419; winding up of the "Brunel" Society, 5320-5327; land societies, 5332, 5333; doubts necessity of uniformity of accounts, or of professional audit, 5337-5339; trustees, 5352; nature of building societies, 5361, 5362, 5387; advocates exemption from stamp duties for small transactions, 5364-5367; opinion respecting bill of last year, 5380-5381; would place some limit upon borrowing powers, 5380, 5381, 5394-5397; Registrar's decision respecting certification of rules should be final, 5385, 5386; witness does not deem it advisable to limit the amount of a single loan, 5402-5407; there should be a geographical limit to the operations of a building society, 5403-5405; strong feeling in Liverpool with reference to a form of accounts, 5431, 5432; secretary's appointment, commission, and office expenses, 5437-5452.

## JUSTICES OF THE PEACE:

Not desirable arbitrators, *Higham*, 3109-11.

And see *Magistrates*.

KENTISH TOWN, CAMDEN TOWN, AND HIGHGATE BUILDING SOCIETY. See *Peacock*.

## LAND:

Building societies should not have power to invest in land or build, *Brabrook*, 3446; *Taylor*, 3843-8;

*Strachan*, 4757-8; *Parker*, 4908-9; *Dawson*, 5154-6; *Harle*, 8193-4.

Should have power, *Selway*, 3506-16, 3522, 3526-7, 3553, 3618, 3642-50; *Blake*, 3619; *Peacock*, 4306-20; *Lee*, 5725-5741, 5803, 5822; *Phillips*, 6139-41; *Ingoldby*, 7223-31; but see 7261, 7263.

Legal cases as to investments in land, *Brabrook*, 3401.

Failures of building societies from speculating in land, *Strachan*, 4743, 4749-53; *Campbell*, 4893-7.

Societies which invest in land or build: "Burnley," *Lee*, 5799-5828; "Birkbeck," *Ravenscroft*, 7964 and foll.

Societies which have done so, but have ceased: "Queen's," *Manchester, Woodhouse*, 5992-5; "Temperance," *Phillips*, 6137-41, 6163-9, 6183.

And see *Thomas*, 4584-5; *Strachan*, 4755-8; *Reay*, 5333; *Andrew*, 5574-5; *Lee*, 5997; *Ascroft*, 6286-91.

Freehold advances made at lower rate on, than on leasehold, *Whittingham*, 7277.

See *Serpus Funds*.

## LAND SOCIETIES:

Origin of, *Grüneisen*, 7348-7383.

Certified as Building Societies, *Higham*, 2888-93, 2961;

*Brabrook*, 3442; *Taylor*, 3725, 3732; *Peacock*, 4306;

*Whittingham* and *Grüneisen*, 7266-7, 7382-5.

Should be within Benefit Building Societies' Act, *Taylor*, 3734-6.

Are being supplanted by land companies, *Higham*, 2891;

*Brabrook*, 3397-9, 3441-3; connexion of, with land companies, *Whittingham*, 7281-9, 7308-13, 7347, 7287-8, 7433; *Grüneisen*, 7345-6, 7348-60, 7415, 7424-5, 7429, 7436-49.

Should be taken out of the Building Societies Act, *Brabrook*, 3447; and registered as Joint Stock Companies, *Whittingham* and *Grüneisen*, 7386, 7389, 7392.

Nature of their transactions, *Taylor*, 3690-1, 3712-45, 3763-4, 3922-33, 3941-7, 3975-91; *Whittingham* and *Grüneisen*, 7264 and foll.; *Ravenscroft*, 8057 and foll.;

Distinctions between, and building societies, *Taylor*, 3737-43.

Witnesses in favour of, *Taylor, passim*; *Winterbotham*, 4028; *Ryalls*, 6886, 6961-5; *Whittingham* and *Grüneisen, passim*; *Ravenscroft*, 8057 and foll.

Led to Permanent Building Societies being established, *Harle*, 8162, 8194.

And see *Higham*, 2961; *Strachan*, 4754-7; *Campbell*, 4893-4; *Parker*, 4911; *Dawson*, 5017-9; *Jones* and *Reay*, 5329-33; *Andrew*, 5573; *Lee*, 5724-5; *Woodhouse* and *Lee*, 5992-3, 5996, 5998; *Ascroft*, 6291; *Hosking*, 6536-7; *Lund*, 6760; *Allott*, 7776-81.

LANDORE BUILDING SOCIETIES. See *Thomas*.

LEA, GEORGE, 5848-6045 - - - p. 140.

Has been connected with Terminating Building Societies at Manchester, 5848-5852; foundation, transactions, and management of "First Freeholders," "Second Brunswick," and other terminating societies, 5849-5920, 5999-6002; borrowing powers, 5857-5864, 6013-6014; advances and payments, 5870-5894, 5918-5920; fines, 5878-80; withdrawals, 5895-5898; proportion of loans to subscriptions in the "Second Brunswick," 5899-5900; rates of interest to depositors and shareholders, 5901-5906; payments to officers, 5907; meetings in public-houses, 5910-5913; permanent societies as compared with terminating ones, 5922-5924; registration, 6024; collateral security, 6025-6030, 6033; release of mortgages, 6034.

LEE, W. AUSTIN, 5635-5847 - - - p. 134.

Secretary to Burnley Benefit Building Society (Permanent), 5635-5637; extent and operations of this society, 5638-5721; paid-up shares, 5641-5645; unrealised shares, 5646-5648, 5651-5653; borrowing powers, 5649-50; interest, 5656-5658; reserve fund, 5659-5663; system of advances, and particulars of certain amounts advanced, 5664-5707, 5789, 5790; no tables, 5669; fines for non-payment, 5708-5721; powers of purchasing land and of building houses desirable, 5725-5741, 5792-5828; copy of letter from witness to Sir Roundell Palmer, on this subject, 5729; reasons why building societies should have power to borrow, 5742-5757; balance sheets should be clearly stated under a certain form, which should be sent to Registrar, 5758-5770; necessity for legislation respecting value of shares, priority of payments, and stamp duties, 5771-5779; as to payment of income-tax and other objectionable clauses in Act, 5780-5785; minors and married women, 5786-5787; agrees with Mr. Gourley's amended bill, 5788; advisability of retaining the exemption from stamp duty, 5829-5836; branch offices, 5837-5847.

**LEEDS:**

Building societies in, see *Dawson, Fatkin, and Middleton*; and see also *Lund*, 6746 and foll.  
Permanent Building Society. See *Dawson, Fatkin, and Middleton*.  
Provincial Building Society. See *Lund*, 6746-50.

**LIABILITY:**

None beyond shares, in building societies, *Higham*, 2979.  
But held to exist, *Higham*, 2980; *Taylor*, 3889; and see *Middleton*, 5045; *Ingoldby* and *Ingle*, 7123 and foll.  
Confined to unadvanced members, *Harle*, 8222, and foll.  
Proposal to limit, *Higham*, 2980; *Ingoldby* and *Ingle*, 7130-40, 7147, 7153.  
In terminating society, should be beyond value of share, *Reay*, 5357-8.  
Of trustees. See *Trustees*.

**LIFE ASSURANCE COMPANIES ACT, Williams**, 7581-4.

**LIVERPOOL:**

Building societies at, *Higham*, 3148; and see *Jones, Reay, Hosking, and Priest*.  
Balance sheet of a society at. See *Williams*, 7473 and foll.  
And District building society, *Reay*, 5312-14, 5377; *Jones*, 5436.

**LOANS:**

Contracting of, originally authorized by Treasury, *Higham*, 2858-63.  
How originally contracted, *Higham*, 2857-70.  
Proportion of, to mortgage debts, &c, see *Strachan*, and returns annexed; *Lea*, 5899-5960.  
Proportion of, to subscriptions, not ascertainable except by valuation, *Strachan*, 4643.  
Excessive, may paralyse society, *Higham*, 3140; *Parker*, 4921.  
And see *Advances, Borrowing Powers, Interest, &c*.

**LOAN SOCIETIES:**

How they differ from building societies, *Strachan*, 4646.

**LONDON AND GENERAL PERMANENT BUILDING SOCIETY.** See *Selway*.

**LUND, CHARLES**, 6639-6790 - - - p. 174.

Secretary to Third Bradford Equitable Building Society, 6639, 6640; management and transactions of this society, 6643-6730; advantages of the system of loans, 6697-6701, 6705-6711; particulars respecting Second Bradford Equitable Building Society, 6731-6745; Leeds Provincial Building Society, 6746-6750; and Halifax Permanent Building Society, 6751-6759; views of these societies respecting a limitation to borrowing powers, 6758, 6759; branch societies, 6761; impracticability of using receipt stamps for every payment exceeding 2*l.*, 6784, 6786; advantages of incorporation, 6790.

**MAGISTRATES:**

Power of, as to building societies, objected to, *Ingle*, 7190, and foll.  
As to deposition before, verifying returns, *Williams*, 7596.  
And see "*Justices of the Peace*."

**MAN, ISLE OF, Brabrook**, 3499.

**MANAGEMENT:**

Expenses in building societies, *Higham*, 2908-2944; *Warner*, 2949-52; *Brabrook*, 3380-5; *Selway*, 3603-5; *Blake*, 3607-9; *Prangnell*, 4241-3; *Thomas*, 4475-9; *Strachan*, 4613; *Dawson*, 5026; *Lea*, 5907; *Woodhouse*, 5978-86; *Phillips*, 6157; *Lund*, 6713 and foll.; *Allott*, 7813 and foll.  
Fund, *Allott*, 2813-17; profit on, 7910; *Ravenscroft*, 8038-40.

**MANCHESTER:**

Building societies at, *Warner*, 3148; *Andrew*, 5569.  
Balance sheets of ditto, see *Williams*, 7487 and foll.; and see *Lea* and *Woodhouse*.

**MARRIED WOMEN**, membership of, *Peacock*, 4351, 4371-3; *Middleton*, 5045-7; *Lee*, 5786.

**MEMBERS:**

Of building societies, two classes originally, investors and borrowers, *Higham*, 2850.  
All belong to the industrious classes, *Hosking*, 6584.  
Vary very much in different districts of London, *Peacock*, 4343.  
Not generally aware of law, *Higham*, 3157-60; but *quere*, *Warner*, 3159, and *Peacock*, 4318.  
Are generally able to look after their own interests, *Brabrook*, 3354.

Have the fullest control over directors, *Brabrook*, 3353.  
Borrowing and investing, relative benefits of, *Taylor*, 3597-9; *Reay*, 5420 and foll.; *Hosking*, 6511-2; *Ingoldby*, 7233-4, 7237; *Allott*, 7905 and foll.; *Ravenscroft*, 8134-5.  
Respective liabilities of, *Ingoldby* and *Ingle*, 7126 and foll.; *Harle*, 8222 and foll.  
Borrowing, pay more interest than class above them, through want of capital, *Phillips*, 6094-6.  
Honorary, in "Conservative Land," *Grüneisen*, 7327-8.  
And see "*Borrowers*," "*Investors*."

**MIDDLETON, JOHN WILLIAM**, 4969-5200 - p. 105.  
One of the solicitors to Leeds Permanent Benefit Building Society, 4970; state of the law respecting form of receipt endorsed on mortgage, 5036-5044; married women should have enlarged powers to invest and withdraw moneys, 5045-5047; withdrawal of money on death of member in the absence of probate, 5048, 5049, 5150-5153; insurance fund, 5050-5060, 5110, 5111; county court matters should be referred to the county court in district of head office of a building society, 5061, 5092-5094; branch societies, 5061-5070, 5075; further alterations should be made in provisions of Mr. Gourley's bill respecting officers of societies, 5075; trustees, 5076; and right of appeal from county court, 5076-5079, 5092-5100, 5112-5122; responsibility of minors, 5080-5082; annual statement, of accounts, 5082-5084; borrowing powers, 5091, 5101-5109, 5130-5140, 5191; class of members in Leeds Building Society, 5123-5126; exemptions from stamp duty, 5127-5129; loan account at bankers, 5148, 5149; registration, 5158-5162; extension of Registrar's powers, 5163; arbitration, 5164-5169; loans, 5188, 5189; limit for minors, 5192-5196; terminating societies in Leeds, 5197-5199.

**MILLS:**

Advances on, *Lee*, 5684-91.  
Should not be made, *Williams*, 7570 and foll.  
Danger of, *Williams*, 7604.

**MINORS:**

Membership of, *Higham*, 3091, 3200-2; *Hoare*, 3200, 3202-4; *Warner*, 3203; *Taylor*, 3900-3; *Winterbotham*, 4040-3; *Peacock*, 4351-2; *Middleton*, 5080-2, 5192; *Dawson*, 5192-6; *Lee*, 5786-7.  
And see *Binns*, 6776.

**MONARCH BUILDING SOCIETY.** See *Baynes*.

**MORTGAGES:**

Expense of, paid generally by borrowers, *Higham*, 2921-4.  
By society in "Sun," *Warner*, 2924.  
Discharge of, by receipt endorsed. See *Receipt*.  
Release of, *Lea*, 6034; *Ryalls*, 6881-4; *Ingoldby*, 7197.  
Should be registered, *Williams*, 7616.  
Form of, printed with rules of Bowkett Societies, *Bowkett*, 4290, 4206.  
Should be inserted in Act of Parliament, *Ingle*, 7182 and foll., 7205-6.  
Private, few in and about Newcastle, through building societies, *Strachan*, 4645-6.

**MUTUAL SOCIETIES:**

See *Bowkett* and *Starr-Bowkett* Societies.  
Chiefly composed of the working class, *Peacock*, 4291.  
And see *Peacock*, 4594-5.  
In sense of societies charging and giving equal interest and advantages. See *Friedlein*, 8274.

**NAME OF SOCIETY**, as change of, *Higham* and *Warner*, 3169-70; *Brabrook*, 3268.

**NATIONAL FREEHOLD LAND SOCIETY**, see *Whittingham*.  
See also *Brabrook*, 3278, 3318, 3337; *Selway*, 3555, 3559; *Phillips*, 6140.

**NEWCASTLE-UPON-TYNE:**

Building societies at, *Higham*, 2966 and foll.  
And see *Strachan, Harle, and Statists*.  
Permanent Building Society, see *Strachan*; and also *Harle*, 8175-8, 8199.

**NEXT OF KIN**, payments to, *Peacock*, 4386; *Middleton*, 5049; *Binns*, 6769.

**NOMINATION:**

Power of, *Peacock*, 4380-5; *Middleton* and *Dawson*, 5150-1; *Fatkin*, 5048-9.  
Very beneficial, *Thomas*, 4390-1.

**NON-REDEMPTION BUILDING SOCIETIES.** See *Redemption*.

**NORFOLK BUILDING SOCIETIES**, Sheffield, *Allott*, 7770-1.



**NORTH DURHAM BUILDING SOCIETY**, Sunderland, *Campbell*, 4854.

**NORTH-WESTERN BUILDING SOCIETIES**, London. See *Peacock*, 4290.

**NORTHERN COUNTIES BUILDING SOCIETY**, Newcastle, *Strachan*, 4642-3, 4661-3, 4671-80, 4777. And see *Harle*.

#### NOTICE:

For withdrawal of shares: 28 days, *Whittingham*, 7291, 7404, 7412-3; *Grüneisen*, 7365; a week to a month, *Ravenscroft*, 8036; a month's, *Taylor*, 3878-80; *Strachan*, 4656; *Andrew*, 5582; *Lea*, 5895-98; *Woodhouse*, 5951-2; *Lund*, 6695; *Ingoldby* and *Ingle*, 7010-20, 7148.

Not or not always insisted on, *Dawson*, 5002; *Lea*, 5895, 5897; *Phillips*, 6196; *Whittingham*, 7291, 7405; *Ravenscroft*, 8036-7.

Effect of, in winding-up, *Reay* and *Jones*, 5377, 5436.

Of deposits:

7 days, *Ravenscroft*, 8126.

7 days to 21, *Grüneisen*, 7365.

14 days to a month, *Higham*, 2975.

A week to a month, *Lund*, 6694.

A month, *Blake*, 3525; *Seelway*, up to 100l., 3569; *Taylor*, 3772, 3774; *Phillips*, 6195-6.

One month to three months, *Allott*, 7876.

One month to six months, *Campbell*, 4854.

Three months, *Ingoldby*, 6979-81.

None, for sums under 50l., *Woodhouse*, 5951.

Not insisted on, *Allott*, 7875-6; *Ravenscroft*, 8126.

Of reduction of rate of interest, *Taylor*, 3773, 3829.

And see *Withdrawal*, *Interest*.

#### OFFICE

Power to buy or build, *Higham*, *Hoare*, *Warner*, and *Baynes*, 3080-90; *Brabrook*, 3489-94; *Taylor*, 3848-9; *Peacock*, 4317; *Strachan*, 4762; *Lee*, 5780.

#### OFFICERS:

Often connected with several societies, *Higham*, 3194; *Brabrook*, 3395-6, 3495-6; *Taylor*, 3713-16; *Peacock*, 4596-8; and see *Campbell*, 4872; *Jones* and *Reay*, 5201-3, 5205, 5451-2, 5463; *Hosking* and *Priest*, 6354-7, 6638.

Frauds of, *Higham*, 3187-91.

Declaring fictitious dividends, should be punished, *Campbell*, 4844.

#### OLDHAM:

Building Societies in. See *Ascroft*.

#### PAID-UP SHARES (in the way of payments in advance):

*Blake*, 3600; *Phillips*, 6104; *Hosking*, 6495-6500; *Allott*, 7753-5.

Not now allowed by Registrar, *Higham*, *Warner*, *Baynes*, 3060-2; *Brabrook*, 3364.

Certified in "Sun," and "Monarch," *Warner* and *Baynes*, 3062; in "Queen's," Birmingham, *Taylor*, 3755, 3872; in "Chatham" societies, Liverpool, *Jones*, 5218, &c.

Should be allowed, *Higham*, 3063-5; *Strachan*, 4649.

Disliked in Ashton-under-Lyne, *Andrew*, 5521.

As a mode of borrowing, *Higham*, 2882-4; *Taylor*, 3752-5, 3878-91; *Winterbotham*, 4001-3, 4016; *Strachan*, 4630-44; *Campbell*, 4874; *Jones*, 5215, 5221, 5252-3, 5461; *Reay*, 5220, 5238-41; *Lee*, 5643-8; *Woodhouse*, 5931-7, 5944, 5970-2, 6006-8, 6018-9; *Ingoldby* and *Ingle*, 6985-90, 7028-9, 7032, 7038, 7043, 7056.

Issued by most of Newcastle societies, *Strachan*, 4630.

Down to 1l. value, *Strachan*, 4639.

Used chiefly in Sheffield by permanent societies, *Allott*, 7733-4, 7753-7.

Amount of, might or should be limited, *Winterbotham*, 4090, 4092, 4101.

The system objected to, *Harle*, 8174 and foll.

Highly approved of, *Williams*, 7492.

Form of receipt for, settled by Mr. Scratchley, *Allott*, 7733.

The only means of charging five per cent only to investors, *Strachan*, 4641-2; and see *Brown*, 4071; *Winterbotham*, 4087-92; *Jones* and *Reay*, 5208-21, 5388-92; *Woodhouse*, 5944-6; *Phillips*, 6060-3.

#### PALMER, SIR ROUNDELL:

His letter on Mr. Gourley's bill, *Higham*, 3073-5, 3077, 3120-1, 3139, 3186, 3204.

Letter to, from Mr. W. A. Lee, *Lee*, 5729.

**PARKER, JOSIAH SAMUEL**, 4900-4968, - p. 102.

Has been connected as an actuary with upwards of 20 London building societies, being principally acquainted with Permanent and Starr-Bowkett societies, 4900-4903, 4912, 4963-4967; suggests alteration of clauses in bill of last session, with reference to advances, 4905-4912; winding up of societies, 4913-4915; statement of accounts, 4916-4920; and borrowing powers, 4921-4930, 4942; relative advantages of Starr-Bowkett and Permanent societies, 4931, 4932; tables, 4933-4940, 4956-4962; loans and subscriptions, 4922-4930; general ignorance of managers as to present values of mortgages, 4963-4966.

#### PART PAID-UP SHARES:

See *Ingoldby* and *Ingle*, 6986-7025, 7032, 7038-41, 7056, 7147, 7157.

#### PASS-BOOK:

For subscriptions, *Higham*, 2975; *Taylor*, 3657; *Dawson*, 5131; *Lee*, 5664; *Lund* and *Bins*, 6705, 6784-6.

For deposits, *Higham*, 2975; *Blake*, 3637; *Dawson* and *Fatkin*, 5131-2; *Ravenscroft*, 8028-9.

And see *Whittingham*, 7413.

**PEACOCK, THOMAS FRANCIS**, 4286-4598 - p. 74.

Has had much experience in building societies in his capacity of solicitor, 4286, 4328-4339; operations of permanent, terminating, and mutual societies in and around London, 4287-91; class of persons whom the Act was not intended to benefit, 4292-4301; value of working men's houses in London, 4293-4298; speculations of building societies, 4302-4305; dealings with land; should be authorised, 4306-4325, 4394-4465; reference to provisions of bill prepared by witness in conjunction with Mr. Scratchley, 4314-4321, 4341, 4342, 4374-4380; reference to provisions in Mr. Gourley's bill, 4316, 4317, 4345-4350, 4362-4364, 4370, 4371a-4374, 4381-4387; surplus funds, 4317, 4318, 4394-4405; stamp duties, 4323-4327, 4434-6; transactions of the "Kentish Town, Camden Town, and Highgate Benefit Building Society," 4329-4339; borrowing powers, 4334, 4336-4344, 4399-4405, 4593-4595; deposits, 4339; registration should be conclusive of legality, 4316, 4345-4350; minors and married women, 4351, 4352; collateral securities, 4353; registry of deeds, 4361; arbitration should be by Registrar, 4362-4369, 4596-4598; winding-up, 4370; amalgamation of societies, 4371, 4593-4595; legislation as to married women, 4371a-4373; office and duties of Registrar, 4376-4378, 4406-4408, 4413-4423, 4586-4591; trustees, 4378, 4387-9; nomination, 4378-4388; certification of rules and tables, 4109-4424; Act of Parliament should be complete in itself, 4411, 4412; mode of dealing with restrictions, 4424-4442; fines, 4586-4591; non-payment of contributions, 4592.

#### PENALTY:

For frauds of officers, should be as stringent as possible, *Higham*, 3188-91.

For not duly sending in accounts to Registrar, *Williams*, 7531 and foll., 7545 and foll., 7585.

For infringing limit as to borrowing, *Williams*, 7626, 7628-9.

**PEOPLE'S CO-OPERATIVE BUILDING SOCIETY**, Greenwich, *Blake*, 3636.

#### PERMANENT BUILDING SOCIETIES:

Grew out of the land society movement, *Harle*, 8162.

None in the north before 1851, *Harle*, 8162.

Began at Liverpool 24 years ago, *Jones*, 5291.

At Sheffield in 1849, *Allott*, 7698.

Compared with terminating, *Higham*, 2877-8, 2995; *Brabrook*, 3226-7, 3276, 3382-3; *Campbell*, 4889; *Fatkin* and *Middleton*, 5198-9.

Working of, explained, *Higham*, 2905-54, 2975-2988, 2994-3000; *Warner*, 2914, 2919, 2924, 2932-6, 2940, 2947-52, 2960-1, 2984, 2988, 2991-5, 3061-2, 3077, 3101, 3123, 3144, 3159, 3179, 3203; *Baynes*, 3140; *Seelway*, 3519, 3526, 3565-3599, 3601-5, 3613-7, 3623-5, 3639, 3641; *Blake*, 3517-25, 3539-42, 3600, 3606-13, 3616, 3622, 3627-40; *Taylor*, 3657 and foll.; *Winterbotham*, 3992-4053, 4078, 4085-6; *Brown*, 4058-86; *Peacock*, 4329-39.

Advantages of, *Brown*, 4056-8; *Andrew*, 5517.

Are the best, *Strachan*, 4701; *Parker*, 4931.

Objections to, *Ascroft*, 6283-4, 6331.

Are taking the place of terminating ones, *Brabrook*, 3275.

Preferred in Newcastle and Gateshead, *Strachan*, 4619; Leeds, *Fatkin*, 5199; Ashton-under-Lyne, *Andrew*, 5516; Manchester, *Lea*, 5922-3.

Are less in favour now in Liverpool, *Hosking*, 6526.  
 Not liked in Oldham, *Ascroft*, 6282-4.  
 Failures of, in Swansea, *Thomas*, 4548; in Sunderland, *Campbell*, 4854.  
 Borrowing powers necessary to, for success, *Brown*, 4058-63.  
 Deposit system, necessary to, *Ravenscroft*, 8078.  
 Are joined by all classes, *Peacock*, 4291.  
 Are joined by few working men, *Parker*, 4932.  
 Are preferred by working men in Liverpool, *Reay*, 5292.  
 Not much difference of composition from terminating societies in Liverpool, *Hosking*, 6527.  
 Witnesses on behalf of, *Higham*, *Warner*, *Baynes*, *Selway*, *Blake*, *Taylor*, *Winterbotham*, *Brown*, *Peacock*, *Strachan*, *Parker*, *Dawson*, *Falkin*, *Middleton*, *Jones*, *Reay*, *Andrew*, *Lea*, *Woodhouse*, *Phillips*, *Hosking*, *Priest*, *Lund*, *Binns*, *Ingoldby*, *Ingle*, *Whittingham*, *Grüneisen*, *Williams*.

PHILLIPS, HENRY JAMES, 6046-6208 - - p. 145.  
 Secretary to Temperance Land and Building Society, established 1854, 6046, 6047; number of members, 6048, 6049; advances, 6050-6057, 6064-6075, 6085-6097, 6143, 6156; valuation of property, 6054-6057; subscriptions, 6058; amount of shares, 6059; paid-up shares, 6060-6063; repayments, 6066-6068, 6073-6084; interest, 6069, 6098-6100, 6112, 6136, 6159-6162; premiums, 6071, 6072; fines, 6076-6083, 6203; class of persons to whom advances are generally made, 6092-6097; monthly payments, 6101, 6102; shares, 6104-6108; deposits, 6109-6118; limit to borrowing powers, 6119, 6124-6132, 6151; temporary loans, 6119-6123; remarks concerning land business, 6137, 6145-6148; the National Freehold Land Society as a political association, 6140, 6141; declaration of total abstinence from intoxicating liquors by the directors of the "Temperance" Society, 6142; surveyors' and solicitors' charges, 6144; recommends consolidation of the Acts relating to building societies, 6150; withdrawals, 6152; members' agents, 6153-6156; salaries, 6157; reserve fund, 6158; evidence respecting house property, and the class of house generally preferred, 6163-6183; building societies do not foreclose as ordinary mortgagees, 6179-81; advantage of purchasing a house through a building society, 6184-6188; exemption from stamp duties, 6189-6198; general form of balance sheet for building societies, 6199-6200; postage fees, 6201, 6202; actuarial opinion on the state of permanent societies not necessary, 6204-6206; advances to other societies on the security of their deeds, 6207, 6208.

PITT AND NELSON PERMANENT BUILDING SOCIETY, Ashton. See *Andrew*.

PLANET BUILDING SOCIETY, *Strachan*, 4711; and see *Ingle* and *Ingoldby*.

POPULAR BOWKETT BUILDING SOCIETIES. See *Bowkett*.

POSTAGE MONEY, *Thomas*, 4475; *Phillips*, 6201-2.

PRANGNELL, W. J., 4118-4285 - - - p. 64.  
 Secretary to 38th Starr-Bowkett Society, 4214; explains differences between Bowkett and Starr-Bowkett societies, 4215-17; constitution of Starr-Bowkett societies, 4215-7, 4220-4231, 4236-4254, 4260, 4268-4277; objects to limitation of shares, 4217, 4221-2; as to ballots for and sales of advances, 4224-4231, 4269-4275; fines, 4236-8; payment of directors, 4240; of solicitor, 4244-5; surveyors, 4246-9; redemption rule, 4250; proceedings on failure to repay, 4251-2; withdrawal rule, 4260; progress of 38th Starr-Bowkett Society, 4253-4; cannot state number of Starr-Bowkett societies, or of members of them, 4258-9; they do not see the need of the new bill, 4260; societies whose operations extend over 13 years would not be popular, 4264-5; 1½ years about the right time, 4266-8; objects to removal of exemption from stamp duty, 4280-5.

PREFERENCE SHARES. See *Paid-up Shares*.

#### PREMIUMS FOR ADVANCES:

The system explained, *Higham*, 2851-3; *Taylor*, 3785-9, &c.; *Andrew*, 5478-82.  
 Really mean a discount, *Hosking*, 6447-9.  
 Disapproved of, *Higham*, 2851-2, 3131; *Thomas*, 4512-6, 4534-5; *Strachan*, 4647.  
 Should be prohibited by law, *Thomas*, 4535.  
 Paid in Birmingham societies, *Taylor*, 3674-8, 3782-94, 3832-8, 3948-59; in Liverpool societies, *Jones* and *Reay*, 5223-36, 5283-5, 3294-5, 5420, 5431; *Priest*, 6361-3, 6383-96; *Hosking*, 6503-4; in Ashton-under-Lyne societies, *Andrew*, 5478-82, 5488, 5512-3, 5523-4,

5531-2; in Oldham societies, *Ascroft*, 6218; in Sheffield societies, *Ryalls*, 6800-2, 6866-8, 6908; in "Planet," *Ingoldby*, 7051-6, 7085.  
 Fixed, paid in Manchester terminating societies, *Lea*, 5866, 5869; in "Queen's," Manchester, *Woodhouse*, 5954-5, 5973-6.  
 Fixed, (½ per cent. per annum,) in "Birkbeck," *Ravenscroft*, 7995.  
 Fixed, monthly in "Temperance," *Phillips*, 6069-72, 6158-9, 6205-6.  
 Fixed, for one or more months in "Planet," *Ingoldby*, 7055.  
 Higher, in non-redemption than in redemption societies, *Liverpool*, *Priest*, 6361-3; *Hosking*, 6447-9.  
 None charged in "Stroud Provident," *Winterbotham*, 4008; in Bowkett and Starr-Bowkett societies, *Bowkett* and *Prangnell*, 4225, 4235; in Landore societies, *Thomas*, 4464, 4472; in "Burnley" societies, *Lee*, 5680-1; in "Bradford Third Equitable," *Lund*, 6658-63; in "National Freehold Land" Society, *Whittingham*, 7278; in "Conservative Land," *Grüneisen*, 7332.  
 Paid privately in Bowkett and Starr-Bowkett societies, *Bowkett* and *Prangnell*, 4226-35, 4269-75.  
 Not allowed even privately, in Landore societies, *Thomas*, 4544-6.  
 Incorrectness or mischief of reckoning, as realized profit, *Jones* and *Reay*, 5431-4; *Woodhouse*, 5976; *Hosking*, 6503; *Williams*, 7469, 7473-6, 7481-8, 7517-20; *Turner*, 7658; *Friedlein*, 8274 and foll.  
 And see *Advances*.

PRIEST, THOMAS E., 6354-6639 - - - p. 158.  
 Secretary to 10 Terminating and five Permanent Building Societies, and represents Liverpool Building Societies Association, 6356; is not acquainted with the terminating societies represented by Mr. Reay, 6358; redemption as compared with non-redemption terminating societies, 6359-6366; operations of Third Britannia Building Society, 6367-6446; intention of Legislature in granting exemption from stamp duties, to total abolition of which witness is strongly opposed, 6461-6478, 6483, 6546a; solicitors' charges in Liverpool, 6464-6487; borrowing powers, 6546; audit of accounts and periodical statements given to members, 6562-6568; ballot for accumulated capital in terminating societies, 6611, 6612; shares held by members of Hercules Permanent Building Society, 6628-6635; letters from two solicitors on the question of stamp duty, 6637.

PRINCE'S PARK BUILDING SOCIETY, Liverpool. See *Reay*.

PRINCE OF WALES BUILDING SOCIETY, Liverpool. See *Tabular Statement*.

PROFESSIONAL BUILDING SOCIETY. See *Parker*.

PROFIT AND LOSS ACCOUNT. See *Williams* and *Friedlein*, *passim*.

#### PROFITS:

None allowed by Act to be paid till shares realised, *Brabrook*, 3394; *Selway*, 3586, 3623-4.  
 Payment of, out of capital, should be forbidden, *Campbell*, 4816 and foll.  
 Should be as small as possible, *Middleton*, 5108.  
 Borrowers share with investors, in "Bristol Equitable," *Brown*, 4079; in "Leeds Permanent," *Dawson*, 5005, 5007; in Ashton-under-Lyne societies, *Andrew*, 5540-1; in "Second Bradford Equitable," *Lund*, 6736-9; in an Aylesbury society, *Friedlein*, 8274.  
 Should not do so, *Brown*, 4080.  
 Do not, and should not, *Phillips*, 6100.  
 Do not, *Lund*, 6671.  
 Great importance that they should not, *Ingoldby*, 7163.  
 And see *Interest*.

#### PROMISSORY NOTES:

Loans originally obtained on, *Higham*, 2858, 2868-9; *contra*, *Harle*, 8164-5.  
 Loans from bankers, still on, *Higham*, 2975; *Selway*, 3574, 3577; *Phillips*, 6121.  
 And from other persons, *Reay*, 5302-4, 5349-52; *Ascroft*, 6293-8.  
 From one society to another, *Hosking*, 6613-5.  
 And see *Bankers*.

#### PROXY:

Vote by, in building societies, advocated, *Ingoldby* and *Ingle*, 7185-9, 7216-7.



**PUBLIC-HOUSES:**

Societies used to meet at, when Benefit Building Societies Act passed, *Higham*, 3080.  
Used to do so at Manchester, but few do now, *Lea*, 5910-2.  
Used to do so at Newcastle to about 1850, *Harle*, 8162.  
And see *Jones*.  
Restrictions as to building, *Taylor*, 3990.  
Advances on, not now made by "Temperance" Building Society, *Phillips*, 6143.  
And see *Inns*.

**PUNCTUALITY** of payment, necessity of, in building societies, *Peacock*, 4586.

**QUARTERAGE**, *Grüneisen*, 7323-4; and see *Postage*.

**QUEEN'S BUILDING SOCIETY**, Birmingham. See *Taylor*.  
Manchester. See *Woodham*.

**RAVENSCROFT, FRANCIS**, 7949-8160 - - - p. 225.

Manager of Birkbeck Building Society, established in 1851, 7949, 7950; number of members and amount of shares, 7951-7956; advances, 7957-7993, 8032-8035, 8046, 8050, 8089-8091, 8110, 8111, 8158-8160; interest, 7994-7997, 8006, 8013-8020, 8022-8024, 8116-8120; entrance fees, 7998, 7999; surveyors' charges, 8000; solicitors' charges, 8001-8005; paid-up shareholders, 8012-8031; ordinary shareholders, 8012-8031; deposits, 8021-8029, 8074-8088, 8126-8139; borrowing powers, 8030; withdrawals, 8036, 8037; management fund, 8038-8040; fines, 8041-8045; borrowing and investing members, 8051-8056, 8112-8115; objects and operations of land society, founded 1852, of which witness is manager, 8057-8074, 8140-8153; considers it impracticable to place a limit on the amount of deposits, 8079-8088; nature of Birkbeck Advance Society, 8080-8099, 8157; Birkbeck Bank for Deposits, 8100; mortgage property, 8101-8107; ballot fees, 8108-8109; depositing members, 8121-8124; advantages of the deposit system as a remedy for the evils to which terminating societies were subject, 8134-8139; banking account, 8154-8156.

**REALISED SHARES**. See *Paid-up Shares*.

**REAY, JAMES BOLTON**, 5201-5467 - - - p. 117.

Represents four terminating societies, viz. the "Sefton," Second and Third Great George's and Sixth Prince Llewellyn and two permanent ones, viz. the "Prince's Park" and "Working Men's," 5203; transactions of the permanent societies, 5220, 5234-5249, 5257, 5258, 5262-5265, 5271-5277, 5312, 5313, 5328; transactions of the terminating societies, 5287-5310, 5408-5428; preference shares, 5220, 5238-5241, 5246, 5376; premiums for advances, 5234-5236, 5294, 5433, 5434; members, 5237, 5287; interest, 5239-5242, 5297, 5422; capital, 5243-5249; average amount of mortgage, 5257, 5261; advances, 5262-5267, 5294, 5314-5319, 5407, 5414-5420; fines, 5271-5277, 5281; reserve fund, 5282, 5285; permanent as compared with terminating societies, 5290-5292, 5429, 5430; tables, 5293, 5435; loans, 5298-5309; failure of permanent societies, 5312, 5313, 5328; land societies, 5330-5331; professional audit and uniform accounts should be enforced, 5335-9, 5340-55; trustees, 5349-58, 5411-2; present character of building societies, 5359-66; exemption from stamp duties, 5364-8; interest and borrowers, 5373, 5414-5420; suggests alteration in law with reference to winding-up, 5377, 5378; agrees generally with provisions of Mr. Gourley's Bill, but objects to borrowing powers being unlimited, 5379-5382; would wish the office of Registrar continued, 5382-5385; with drawings, 5388; value of property at Birkenhead, 5405; investors' payments, 5420-5427, bonuses, 5427; apportionment and salary of secretary, 5446-5463; surveyors' fees, 5464-5466.

**RECEIPT:**

Endorsement of, a discharge of building societies mortgages, *Higham*, 3095-7; *Peacock*, 4361, 4388; *Ryalls*, 6881.  
Difficulties as to, *Hoare* and *Baynes*, 3097; *Middleton*, 5037-44; *Ingoldby*, 7197.  
As to registration of, *Peacock*, 4361.  
For deposits, form of, prepared by Mr. Scratchley, *Allott*, 7733.

**REDEMPTION:**

Hardships, with respect to, *Brabrook*, 3466-9; *Friedlein*, 8292 and foll.  
Difficulties as to, *Thomas*, 4520.  
Rules as to, *Thomas*, 4519.  
Fee, *Higham*, 2850; *Ryalls*, 6824-30.  
Rule, in Starr-Bowkett Societies, *Prangnell*, 4250.  
And non-redemption' societies in Liverpool, *Priest*, 6359 and foll.

**REFRESHMENTS:**

Payment for, to landlords of inns and public-houses, *Andrew*, 5510-14; *Lea*, 5911; *Ascroft*, 6247-52, 6313-22.  
And see *Inns*, *Public-houses*.

**REGISTRAR:**

His office should be enlarged, *Peacock*, 4406-8, 4413-23; *Strachan*, 4778-9; *Middleton*, 5163.  
His duties now a perfect farce, *Ingle*, 7170.  
Variations in practice of, *Higham*, 2957, 3012, 3016; *Hoare*, 3019; *Baynes*, 3020; *Peacock*, 4334, 4345, 4419.  
Should be arbitrator in disputes, *Brabrook*, 3452-4; *Peacock*, 4362-71, 4413-14, 4422-3; might be, *Middleton*, 6164-6; *Ingle*, 7250.  
Should not be arbitrator, *Strachan*, 4775-6.  
Should wind up societies, *Peacock*, 4370.  
Should not wind up societies, *Strachan*, 4780-1.  
Might issue preliminary certificate before a winding-up, in certain cases, *Strachan*, 4782-5.  
Before an arbitration, *Middleton*, 5167.  
Should enforce sending of uniform accounts, *Williams*, 7334-8.

**REGISTRATION:**

None at present of building societies, *Higham*, 3010, 3023; *Brabrook*, 3228-9, 3458-9.  
There should be, *Higham*, 3023; *Hoare*, 3070; *Brabrook*, 3245, 3460-1; *Dawson*, 5158.  
Should be assimilated to that of friendly societies, *Brabrook*, 3390.  
Mere, preferable to present certificate, *Strachan*, 4734, 4738.  
Should not be conclusive as to the law, *Higham*, 3025-46; *Hoare*, 3026-8; *Ingle*, 7172; but see 7252-4.  
Should be conclusive, *Brabrook*, 3450; *Peacock*, 4316, 4345-50, 4378, 4413; *Strachan*, 4732-8, 4772-3, 4777-8; *Middleton*, 5161-2; *Jones*, 5385-7; *Reay*, 5383-5; and see *Ingle*, 7252-4.  
Fee on, should not be abolished, *Brabrook*, 3363.  
Of winding-up or termination of society, should be compulsory, *Turner*, 7692.  
Necessary, but only for certain purposes, *Higham*, 3045.

**REGISTRY:**

Of deeds, as affecting building societies, *Peacock*, 4361; *Middleton*, 5040.  
Of title, too cumbersome and expensive, *Whittingham*, and *Grüneisen*, 7434.

**RELEASE**. See *Receipt*.**RENT:**

Higher, paid to millowners by their hands for the sake of employment, *Andree*, 5617-23.  
Account, *Williams*, 7521-4.

**REPAYMENTS:**

Scale of, in "Queens," Birmingham, *Taylor*, 3676-8.  
In "Leeds Permanent," *Dawson*, 4990-3.  
In Manchester terminating societies, *Lea*, 5869 and foll.  
In Bowkett and Starr-Bowkett societies, see *Bowkett* and *Prangnell*, *passim*.  
In terminating and permanent societies, contrasted, *Campbell*, 4889.  
Varying scales of, in Liverpool societies, *Jones* and *Reay*, 5224-36, 5370-1; in "Temperance," *Phillips*, 6073-5; in "Conservative Land," *Grüneisen*, 7331-2; in "Sheffield and South Yorkshire," *Allott*, 7789 and foll.  
And see *Redemption*.

**RESERVE FUND:**

Prevalent among permanent societies, *Brabrook*, 3386-7.  
And see *Selway*, 5587; *Reay* and *Jones*, 5282, 5285-6; *Lee*, 5658-60; *Phillips*, 6158-9; *Lund*, 6645-6; *Ingoldby*, 7060-3, 7101-2, 7159; *Allott*, 7836-7.  
None in Sunderland Working Men's societies, *Campbell*, 4862-4; in "Leeds Permanent," *Dawson*, 5006.  
Fallacy of, *Friedlein*, 8292 and foll.  
PREMIUM, *Jones*, 5823-4.

**RETURNS:**

Of building societies made to Building Societies Protection Association, *Higham*, 2961-70.  
Moved for in 1859, *Brabrook*, 3237.  
Lately asked by Home Secretary, *Higham*, 3023, 3205.

**RICHARD GREEN BUILDING SOCIETY, Bowkett, 4195;**  
and see *Parker*.

**RICHMOND BUILDING SOCIETY.** See *Parker*.

**ROSCOE BUILDING SOCIETY, Liverpool.** See *Hosking*.

**RULES:**

Certified by barrister, not registered, *Brabrook, 3228-30*.  
Enrolled by clerk of peace, *Brabrook, 3230-1*.  
*Quare*, whether any valid since 1850, *Higham, 3016*;  
*Warner, 3017-8*.

Barrister's certificate does not make legal, *Higham, 3033*.  
What provisions they should contain, *Higham, 3025*;  
and see *Peacock, 4341-2, 4424*.

Should be certified as not contrary to law, *Middleton, 5162*.

Copy of, given to members, *Higham and Hoare, 3163*.

Uniformity of, very desirable, *Brabrook, 3456*.

Standard, should be framed, *Ingoldby and Iagle, 7165*  
and foll.

There should be at least three or four sets of, *Ingle, 7167-9*.

As to false, see *Higham, 3192-3*.

**RYALLS, JOHN, 6791-6965**

Is well acquainted with building societies in Sheffield,  
6791; number and progress of these societies, 6792,  
6807; was founder of probably the first society  
(terminating) in Sheffield, about 40 years ago, 6793,  
6794; operations of that society, 6796-6806; manage-  
ment and transactions of Sheffield Permanent  
Building Society, 6808-6811; and of Sheffield and  
North Derbyshire Society, 6812-6830; rate of in-  
terest, 6822, 6823, 6906-6917; redemption fees, 6824-  
6830; Mischievous effects of advances to speculative  
builders and others in the neighbourhood of Sheffield,  
6831-6856, 6869, 6893-6905, 6924-6934; limit to  
number and amount of shares, 6857-6865, 6886-6889,  
6902, 6903, 6939-6958; premiums, 6866-6868; sol-  
licitors' and surveyors' charges, 6871-6878; exemption  
from stamp duty, 6876-6884, 6958-6960; land  
societies, 6886, 6961-6965; annual balance sheets,  
6890; registrar, 6891, 6892; investing members,  
6893-6905, 6918-6923; borrowing powers, 6935-6938.

**SALE:**

Power of, when it should be exercised, *Peacock, 4592*;  
and see *Foreclosure*.

**SAVINGS BANK:**

System, deposits on, *Blake, 3613, 3637*.  
Should be encouraged, *Hosking, 6550-1*.  
And see *Deposits*.

**SCHEDULE.** See *Form, Balance Sheet*.

**SCOTLAND:**

Few building societies in, *Higham, 2964*.  
Practice of registrar in, *Higham, 3013, 3016*.

**SECOND:**

Bradford Equitable, Borough, Brunswick, City Mutual,  
Freeholders, Great George's, Improved Bowkett, Nor-  
folk, Swan Building Society. See *those headings*.

**SECRETARY:**

His functions and remuneration in building societies,  
*Higham, 2909-16, 2941*; *Warner, 2940, 2951*; *Bowkett, 4204*; *Jones and Reay, 5438-63*.

Is generally paid by commission, *Higham and Warner, 2914*; and see *Jones and Reay, 5437-44, 5456*.

Either per share or on entire receipts, *Taylor, 3963-64*.

Per share, *Andrew, 5571-2*; *Allott, 7818-9*.

By salary, *Reay, 5457-62*.

Paid by members, in Landore societies, *Thomas, 4475*.

Should not receive the funds, *Andrew, 5568-72*.

**SEFTON BUILDING SOCIETY.** See *Reay*.

**SELWAY, WILLIAM ROBBINS, 3503-3650** - page 40.

Managing Director of London and General Permanent  
Building Society, 3503; generally approves of Building  
Societies Bill, 3505; building societies should  
have power to invest surplus funds in purchase of  
land, 3506-3516, 3522, 3526-7, 3553, 3618, 3642-  
3650; building societies can always regulate loans,  
3526; building societies should be incorporated,  
3528-3533; but not under the Joint Stock Companies  
Act, 3534-5; exemption from stamp duty should be  
preserved, 3537, 3648; borrowing powers should be  
legalised, 3543, 3626; should be limited, 3626-8; as  
to business, rules, &c. of London and General Per-  
manent Building Society, 3519, 3546-3562, 3565-3599,  
3601-3605, 3613-3618, 3639; rules chiefly framed on  
those of National Freehold Land Society, 3555-3559;  
26867.

deposit system of society, 3546, 3548, 3567, 3569-  
3571, 3579-3584, 3639, 3641; loans from bankers,  
3572-7; loans to members on shares, 3578; loans on  
securities, 3581-4, 3598; apportionment of profits,  
3585-6, 3623-5; reserve fund, 3587-3591; fines,  
3592-3595; trustees, 3529, 3596-7; withdrawals,  
3599; tables, 3601-2; expenses of management, 3603-5  
3613; solicitor, 3614; directors, 3603, 3615-7; there  
need not be different legislation for large and small  
societies, 3620; borrowing on deposit of deeds should  
be prohibited, 3621-2.

**SEVENTH WORKING MEN'S BUILDING SOCIETY.** See  
*that heading*.

**SHARES:**

Limitations of, under present law to 150l., *Higham, Warner, Baynes, 3060-6*; *Taylor, 3754*.

No limitation of number to be held, *Higham, 3066*.

Limitation of amount useless, *Brabrook, 3364*; *Taylor, 3757, 3908, 3939-40*; *Winterbotham, 4038-9*.

Value of, used generally to be 120l., *Higham, 2850*;  
*Strachan, 4647*; *Lea, 5868*.

120l., now in "Freeholders," Birmingham, *Taylor, 3702*;  
in "Stroud Provident," *Winterbotham, 3996*; in Liver-  
pool terminating societies, *Reay, 5294, 5297*; *Priest, 6359-62, 6371, 6375*; in "Ashton-under-Lyne Per-  
manent," *Andrew, 5520*; in Oldham societies gene-  
rally, *Ascroft, 6218*; in "Bradford Third Equitable,"  
*Lund, 6650*; in Sheffield terminating societies, and in  
three permanent ones, *Allott, 7711, 7752*.

120l. 4s. 8d. in "Leeds Permanent," *Dawson, 5008*.

Now usually 60l., 80l., or 100l., *Higham, 3066*.

130l., 150l., in Ashton-under-Lyne terminating societies,  
*Andrew, 5474, 5483*.

100l. in "United," Birmingham, *Taylor, 3708*; in  
Buckley Chambers Permanent, Ashton, *Andrew, 5555*;  
in "Second Brunswick," Manchester, *Lea, 5867-8, 5938*; in some Oldham societies, *Ascroft, 6218*; in  
three Sheffield terminating societies, and most of the  
permanent ones, *Allott, 7712, 7752*.

70l. in Landore societies, *Thomas, 4450*.

60l. in Bristol Equitable, *Brown, 4070*; in "Sheffield  
Equitable," and "Atlas," *Allott, 7712*.

55l. in "Greenwich Industrial," *Blake, 3541*.

50l. in "Planet," *Ingoldby, 6970*; in "Conservative Land,"  
*Grüneisen, 7318*.

30l. in Birmingham Freehold Land Society, *Taylor, 3728*;  
in "Temperance," *Phillips, 6059*; in "National  
Freehold Land," *Whittingham, 7298*.

10l. in "Queen's," Birmingham, *Taylor, 3657-8, 3753, 3755, 3817*; in "Chatham" societies, Liverpool,  
*Jones, 5209*; in "Burnley," *Lee, 5644*; in "Queen's,"  
Manchester, *Woodhouse, 5933*; in "Commercial," &c.  
Liverpool, *Hosking, 6494*.

Subdivision of, *Higham, 2862*; *Winterbotham, 3996, 3998-9*;  
*Bowkett, 4219*; *Dawson, 5182-8*; *Andrew, 5554, 5556, 5558-9, 5576*; *Lee, 5646-8, 5651*;  
*Priest, 6420-3*; *Lund, 6702-4*; *Whittingham, 7298*.

Small, approved of, *Williams, 7492*.

Taking of, by borrowers, becomes a fiction, *Higham and Warner, 3122-4*.

Are permanent in joint stock companies, but may  
become extinct in building societies, *Strachan, 4657*.

**SHEFFIELD:**

Building societies in. See *Ryalls and Allott*.

Permanent Building Society, *Ryalls, 6808-12*; *Allott, 7770*.

and South Yorkshire Building Society. See *Allott*.

and North Derbyshire Building Society, *Ryalls, 6812-24*;  
*Allott, 7767-9*.

Mutual Building Society, *Allott, 7762-5*.

Equitable Building Society, *Allott, 7696, 7712, and Sta-  
tistics annexed*.

United Societies, *Allott, 7740 and Statistics annexed*.

**SIXTH:**

Alliance, Borough, Prince Llewellyn, Working Men's  
Building Society. See *those headings*.

**SOLICITORS:**

Generally originate building societies, *Strachan, 4708*.

Charges, fixed, in "Fourth City Mutual," *Higham, 2921, 2925*;  
"Sun," *Warner, 2924*; "Greenwich Industrial,"  
*Blake, 3611-2*; *Selway, 3614*; "38th Starr-Bowkett,"  
*Pragnell, 4243-5*; "Leeds Permanent," *Dawson, 5023*;  
Ashton societies, *Andrew, 5494*; "Temperance,"  
*Phillips, 6144*; Oldham societies, *Ascroft, 6256-9*;  
many Sheffield societies, *Ryalls, 6876-7*; *Allott, 7796-7, and Return, p. 225*;  
"Planet," *Ingoldby, 7076-9*;  
"Birkbeck," *Ravenscroft, 8000-5*.

Very heavy, and not fixed, in Liverpool, *Hosking and Priest, 6164-37*.



## SOLICITORS :

Scale of charges : four guineas, *Higham*, 2925; *Ravenscroft* 8002; to 150*l.*, *Blake*, 3611; and one for registration, *Ingoldby*, 7076-9.

Three guineas, and half a guinea for every 50*l.* beyond the first 100*l.*, *Warner*, 2924.

Three guineas to 200*l.*, *Selway*, 3614; *Phillips*, 3144. 10*s.* per cent. up to 500*l.*, and 5*s.* beyond, plus 1*l.*, *Lund*, 6718-24.

And see *Bowkett*, 4205-6; *Prangnell*, 4245; *Thomas*, 4467.

Not paid by building societies, *Higham*, 2921, 2923, 2943; *Thomas*, 4465; *Strachan*, 4614-5; *Dawson*, 5023; *Andrew*, 5494.

Paid by society, *Warner*, 2924.

And see *Mortgages*.

SPECIAL LOANS in "Greenwich Industrial"), i.e. deposits. See *Deposits*.

STALYBRIDGE COMMERCIAL BUILDING SOCIETY. See *Andrew*.

STAMP DUTIES, exemption from. See *Exemption*.

At special rate for large societies, suggested, *Peacock*, 4326.

Are paid at higher rate by building societies, *Peacock*, 4436; *Reay*, 5367; *Hosking*, 6454, 6588, 6590; *Priest*, 6637; *Harle*, 8246.

## STARR-BOWKETT SOCIETIES :

Described, *Higham*, 2884-8; *Brabrook*, 3369-74; *Prangnell*, 4214-7, 4220-31, 4236-54, 4263-77; *Peacock*, 4287-8.

Have grown out of Bowkett societies, *Prangnell*, 4215-7.

Are very suitable for working classes, *Parker*, 4931-2.

Are becoming modified, *Brabrook*, 3272-4.

Their income usually small, *Higham*, 2962.

Withdrawals limited in, *Peacock*, 4417.

Have not subscribed to Building Societies Protection Association, *Higham*, 2962.

None in Birmingham or Midland districts, *Taylor*, 3656.

And see *Ravenscroft*, 8141.

See also *Bowkett Societies*.

## STATISTICS :

None of building societies generally, *Brabrook*, 3234-8; *Strachan*, 4795; *Williams*, 7543.

Of building societies in Newcastle, see table annexed to *Strachan's* evidence, pp. 97-9.

In Sheffield, see table annexed to *Allott's* evidence, p. 224.

STREETS, whole, in Birmingham, belong to working men, *Taylor*, 3666.

STRACHAN, THOMAS YOUNG, 4599-4812 - - p. 87.

Manager of Newcastle-upon-Tyne Permanent Building Society, and consulting actuary to several societies, 4599-4601; statistics of societies in Newcastle and Gateshead, 4602-4615, and pp. 97-9; management expenses, 4613-4615; surplus funds, 4760-4762; want of success and extinction of terminating societies, 4617-4619, 4699-4700; societies formed on model of "Newcastle Permanent," 4619-4620; tables, 4621-4629; evasion of the Act by issue of preference shares, 4630-4643; building societies as loan societies, 4644, 4648; recommends abolition of restrictions on amount of shares, 4649-4655; borrowing powers, 4656-4660; limit, if any, to be fixed by amount due upon mortgage, 4661-4669; incorporation, 4670; security of societies is the amount due upon mortgage, 4671-4683; endorsed securities, 4689-4698; enlargement of area of B. S., 4702-4707; solicitors as promoters of building societies, 4708; lowering rate of interest to exclude depositors, 4709-4713; amount of deposits should not be limited, 4714-4716; corporate powers, and a remedy for members and depositors wishing to withdraw, should be given, 4717-4731; registration and barrister's certificate, 4732-4738, 4770, 4779; winding-up, 4739-4740; 4780-4786; failure of society at Newcastle, 4741-4753; speculations in land disapproved, 4754-4758; legislation against fraud, 4759; stamp duty, 4763-4769; balance sheets, 4787-4794; annual income of building societies in the kingdom, 4795-4800; arbitration, 4803-4809; terms for payments, 4811-4812.

ST. GEORGE BUILDING SOCIETY, Swansea, *Thomas*, 4548.

STROUD PROVIDENT BENEFIT BUILDING SOCIETY. See *Winterbotham*.

## SUBSCRIPTIONS :

Originally 10*s.* per share monthly, *Higham*, 2850; *Ryalls*, 6794 6797; *Allott*, 7712.

Usually 5*s.* or 10*s.*, *Hoare*, 3066.

10*s.*, *Brown*, 4075; *Peacock*, 4332; *Reay*, 5293; *Andrew*, 5565; *Ascroft*, 6222; *Priest*, 6360, 6372, 6375; *Lund*, 6651.

8*s.*, *Grüneisen*, 7319.

7*s.* 6*d.*, *Thomas*, 4451, 4454.

6*s.* 6*d.*, *Ravenscroft*, 8007.

5*s.*, *Hosking*, 6495; *Lund*, 6704; *Ingoldby*, 6986.

4*s.*, *Phillips*, 6063, 6101; *Whittingham*, 7315.

2*s.* 6*d.* a week, *Dawson*, 4985.

1*s.* 8*d.* taken, *Winterbotham*, 3996.

As low as 1*s.* taken, *Lund*, 6704.

6*d.*, *Taylor*, 3657, 3359; *Fatkin* and *Dawson*, 5143-4;

*Woodhouse*, 5934.

3*d.* weekly, *Lee*, 5712.

Back, had to be paid up in terminating societies, if members joined after commencement, *Higham*, 2878.

Limitation of monthly account of, by Benefit Building Societies Act, inexpedient, *Higham*, *Warner*, and *Baynes*, 3060-6; *Brabrook*, 3365; *Winterbotham*, 4038-9, 4115.

Increased, in substitution for fines, in Bowkett societies, *Bowkett*, 4181-3.

Power to suspend payment of, in Oldham societies, *Ascroft*, 6241-3.

Return of, in Bowkett and Starr-Bowkett Societies. See *Bowkett* and *Prangnell*, *passim*.

And see *Shares*.

SUN PERMANENT BUILDING SOCIETY, London. See *Warner*.

Sunderland. See *Campbell*, 5854.

SUNDERLAND, Building Societies in. See *Campbell*.

## SURPLUS FUNDS :

Power wanted to invest, *Taylor*, 3875-6; *Thomas*, 4536.

Investment of, *Higham*, 3098-9; *Higham*, *Warner*, *Hoare*, and *Baynes*, 3176-85; *Brabrook*, 3278-88, 3310-5, 3331, 3379-3401; *Taylor*, 3758-63, 3841-50; *Winterbotham*, 4029-37; *Thomas*, 4536-42, 4554-7; *Strachan*, 4761-2; *Ravenscroft*, 8127 and foll.

In land. See *Land*.

Include unemployed loan money, *Higham*, 3180-3.

Do not, *Brabrook*, 3286; *Winterbotham*, 4034-7.

And see *Selway* and *Blake*, 3508-17, 3522-7, 3642-6; *Peacock*, 4317-8.

## SURVEYOR :

Paid, in "Sun," *Warner*, 2932-6.

Most societies consult, *Brabrook*, 3392, and see *Taylor*, 3687-9; *Dawson*, 5020-3, 5074; *Reay*, 5317-8, 5464-6; *Lund*, 6727; *Ingoldby*, 7080-4; *Grüneisen*, 7373; *Whittingham*, 7381; *Allott*, 7782-6.

*Contra*, *Williams*, 7555.

Payment to, *Thomas*, 4468; *Reay*, 5465-6; *Allott* 7785-7.

His functions in land societies, *Taylor*, 3978.

Borrowers have to submit plans to, *Dawson*, 5020.

And see *Jones*, 5324-7, 5419; *Hosking*, 6533-4; *Ravenscroft*, 8117.

## SURVEYS :

Cost of, paid by borrowers, *Higham*, 2930-1; *Prangnell*, 4247-9; *Strachan*, 4614-5; *Dawson*, 5022-3; *Phillips*, 6144; *Lund*, 6725-7; generally, *Ingoldby*, 7084; *Allott*, 7787.

Paid by society, *Warner*, 2932-6; sometimes, *Ingoldby*, 7084.

Travelling expenses paid by society within certain limits, *Phillips*, 6144.

Made by survey committee of directors, *Higham* 2926-30; *Prangnell*, 4246; *Phillips*, 6053-7; *Ravenscroft*, 8000.

By inspectors, *Ascroft*, 6333-7.

Made by survey committee and surveyor, *Warner*, 2932-6; in certain cases, *Ingoldby*, 7081-3; *Ravenscroft*, 8000.

And see *Brabrook*, 3391-2; *Ingoldby*, 7095-7.

SWANSEA, Building societies near. See *Thomas*.

## TABLES :

Of building societies, vary, *Parker*, 4933.

Differences between those used in London and Newcastle, *Strachan*, 4621-9.

Are generally drawn up by officers of societies, *Parker*, 4934; and see *Higham*, 3000-1; *Phillips*, 6206; *Williams*, 7465-6.

Are often incorrect, *Parker*, 4935-40.

Incorrectness of, not a cause of failure, *Parker*, 4938.

But unfair to borrowers, *Parker*, 4935, 4938.

None, in "Burnley" Society, *Lee*, 5669.

At five per cent. for borrowers and investors, would not allow fair working expenses, *Blake*, 3634.  
But can do so by means of paid-up shares, *Strachan*, 4641-2.

Question of, not of so much importance to building as to friendly societies, *Parker* 4940.

Registrar should not certify, *Peacock*, 4410, 4417-8.

Certified or verified by actuary in "Sun," *Warner*, 3001;

"Monarch," *Baynes*, 3006; in "Kentish Town,"

Camden Town, and Highgate," *Peacock*, 4409; in

"Leeds Permanent," *Dawson*, 5021.

Mr. Theodore Jones's, *Brown*, 4069; *Williams*, 7496-8;

*Friedlein*, 8274.

Mr. Scratchley's, *Strachan*, 4621; *Williams*, 7466; *Friedlein*, 8293.

Dr. Bowkett's, *Bowkett*, pp. 65, 67, 70.

And see *Parker* and *Friedlein*, *passim*; *Thomas*, 4520-1.

**TABULAR STATEMENTS** of terminated and terminating building societies in Liverpool, p. 127.

**TAYLOR, JAMES**, 3651-3991 - p. 46.

Has been for some time connected with the Birmingham building societies, 3651; number and class of Birmingham building societies, all of which are permanent, 3652-3656; transactions and management of the "Queen's," the "First" and "Second Freeholders," the "United," and the "Friendly" building societies, 3657-3711, 3851-3860, 3892-3900, 3948-3968; no foreclosures, 3685-6; connexion of building societies with the Freehold Land Society, also registered as a building society, 3690, 3691, 3712-3746, 3975-3991; opinion as to the bill of last session, 3747-3749, 3904-3947; borrowing powers and paid-up shares, 3749-3763, 3774-3781, 3815-3819; investment of surplus funds, 3759-3763, 3841-3850; exemption from stamp duties, 3764, 3765, 3797-3814, 3909; rate of interest on deposits, 3766-3776, 3825-3840; mode of bidding for advances, 3782-3796; deposits, 3820-3824; mortgages, 3804-3814; legislation required for power to pay interest half yearly, 3861-3876, 3969-3974; the "Queen's" as a model society, 3878-3885; objections of depositors to become shareholders, 3886-3891; proportion of working men in the Birmingham societies, 3892-3900, 3960; minors, 3900-3903; limitation of shares, 3905-3940; exemption from stamps as respects the Freehold Land Society, 3922-3930; trustees, 3942-3947; premiums and bonuses, 3948-3959.

**TEMPERANCE LAND AND BUILDING SOCIETY.** See *Higham*, 3181, and *Phillips*.

**TENTH POPLAR BOWKETT BUILDING SOCIETY.** See that heading.

# **TERM:**

Of advance, in terminating societies, *Higham*, 2850-3.

15 years too short, *Bowkett*, 4190.

More than 13 unpopular among working classes, *Prangnell*, 4265.

123 years about right time, *Prangnell*, 4266-8.

10 years, in Sunderland Working Men's Societies, *Campbell*, 4891; in "Conservative," *Grüneisen*, 7331, 7355; generally in "National Land," *Whittingham*, 7334.

Limited to 14 years in "Fourth City Mutual," *Higham*, 2877.

Should be limited to 14 years, *Campbell*, 4854, 4865-7.

5 to 14 years, *Allott*, 7790.

5 to 20 years, *Strachan*, 4811-8.

10 to 25 years, *Hosking*, 6503a-8.

25 years a favourite scale, *Hosking*, 6507-8.

20 years allowed in some permanent societies, *Higham*, 2877; generally chosen in some Liverpool societies, *Jones*, 5224, 5227; the basis, but seven the average in *Burnley*, *Lee*, 5674-9.

20 years too long, *Higham*, 2877; *Campbell*, 4854, 4867.

13 years and 7 months in "Leeds Permanent," *Dawson*, 4990-3.

13 to 14, in Oldham societies, *Ascroft*, 6227-8.

16 years in "Prince's Park," *Reay*, 5236.

12 years on leasehold and 15 on freehold in "Temperance," *Phillips*, 6073-4.

For completing share:

13 years and 7 months in "Leeds Permanent," *Dawson*, 5013.

2½ to 1½ years in Liverpool, *Priest*, 6374-6397.

1 year and 4 months in "Bradford Third Equitable," *Land*, 6652.

# **TERMINATING SOCIETIES:**

Existed alone when Building Societies Act was passed, *Warner*, 3064; *Hoare*, 3128.

None but, in and about Newcastle, before 1851, *Harle*, 8162.

Growth and character of, in London, *Higham*, 2850-2880.

Working of, explained, *Thomas*, 4443 and foll.; *Reay*, 5203 and foll.; *Lea*, 5848 and foll.; *Ascroft*, 6215 and foll.; *Priest*, 6356 and foll.; *Hosking*, 6447-50.

Differences between, and permanent societies, *Brabrook*, 3226-7, 3276, 3382-3; *Jones*, 5295.

Relative advantages of both, *Campbell*, 4889.

Advantages of, *Reay*, 5429-30; *Ascroft*, 6330-1; *Hosking*, 6526-8; *Harle*, 8243.

Objections to, *Higham*, 2850-2, 2877-8, 2995; *Hoare*, 3066; *Thomas*, 4555; *Strachan*, 4699-4701, 4728;

*Fatkin* and *Middleton*, 5198-9.

Comparatively few now started, *Brabrook*, 3275; *Higham*, 3275-6; *Peacock*, 4290; *Allott*, 7708.

Scarcely any now left in London, *Higham*, 2963.

Are in very bad repute, *Ravenscroft*, 8078.

Are still established in London, *Hoare*, 3134; *Peacock*, 4290.

None in Birmingham, *Taylor*, 3655.

Becoming extinct in Newcastle and Gateshead, *Strachan*, 4618; *Harle*, 8168; in Leeds, *Fatkin*, 5198; in Ashton-under-Lyne, *Andrew*, 5516; in Manchester, *Lea*, 5924.

Preferred to permanent societies in Liverpool, *Reay*, 5290-1; *Hosking*, 6526, but *quere*, *Jones*, 5291; in Oldham, *Ascroft*, 6211, 6282-4.

Are better adapted to small towns, *Thomas*, 4549.

Numerous near Swansea, *Thomas*, 4511, 4548; in Sunderland, *Campbell*, 4827-8, 4899; in Liverpool, *Reay*, 5290-1; more numerous than permanent in Sheffield, *Allott*, 7695.

Distinguished into "redemption" and "non-redemption" societies, *Priest*, 6359-63.

Borrow largely at commencement, *Warner*, 2967; *Hoare*, 3134, 3139; *Brabrook*, 3273-4; *Thomas*, 4489.

Borrowing powers necessary to, *Hoare*, 3134-6; *Higham*, 3137-8; *Priest*, 6435; *Hosking*, 6516.

Not always necessary to, *Brabrook*, 3273; *Thomas*, 4502; *Andrew*, 5472.

Are crippled if they do not borrow, *Brown*, 4054.

Form generally a succession, *Brabrook*, 3395; *Campbell*, 4886; *Lea*, 5908-9; *Allott*, 7699-706.

Lend to each other, *Brabrook*, 3339; *Ascroft*, 6265-79, 6325-7; *Priest*, 6611.

And to permanent societies, *Hosking*, 6610-1.

Winding up of, *Hoare*, 3048; *Higham* and *Hoare*, 3222.

Witnesses on behalf of, or respecting; *Higham*, *Hoare*, *Brown*, *Thomas*, *Campbell*, *Reay*, *Andrew*, *Lea*, *Ascroft*, *Hosking*, *Priest*, *Ryalls*, *Turner*.

Witnesses in favour of, *Thomas*, *Campbell*, *Reay*, *Ascroft*.

And see further, *Higham*, 2976, 2995, 3126, 3130, 3184; *Hoare*, 3139-41, 3184; *Brabrook*, 3383.

**THIRD BRADFORD, Borough, Britannia, City Mutual, Great George's, South Union, Swan Building Society.** See those headings.

**THIRTY-EIGHTH STARR-BOWKETT BUILDING SOCIETY** See *Prangnell*, and *Bowkett Societies*.

**THOMAS, REV. THOMAS**, 4286-4598 - p. 74:

Is connected with building societies at Swansea, 4294, 4443; value of working men's houses at Swansea, 4295-4297, 4299-4300; arbitration, 4368; nomination, 4390-4393; formation and transactions of the Landore terminating building societies, founded by witness, 4444-4481, 4485-4487, 4510-4513, 4519-4523, 4537-4539, 4543-4585, 4589; trustees, 4480-6; borrowing powers and advances, 4488-4505; deposits, 4505-4509; payment of premiums, 4512-4518; redemptions, 4519, 4520; tables, 4520, 4521; audit and publication of accounts, 4522-4533; system of bidding for advances, 4534, 4535; investment of surplus funds, 4536-4542, 4554-4557; permanent societies as compared with terminating ones at Swansea, 4547-4553; temporary loans, 4570-4581; building societies connected with land societies, 4582-4585; fines, 4589.

**TRADESMEN**, the best business men in building societies, *Strachan*, 4707.

# **TRUSTEES:**

Appointments of, often certified, *Brabrook*, 3235.

Difficulties relating to, *Higham*, *Hoare*, *Warner*, and *Baynes*, 3077, 3097; *Winterbotham*, 4048-52; *Lea*, 6034; *Ingoldby*, 7117-21, 7197.



## TRUSTEES:

The system defended or approved, *Brabrook*, 3257-67; *Thomas*, 4484.  
 Certificates of paid-up shares, signed by, *Harle*, 8178.  
 Should be responsible for improper dissolution, *Turner*, 7690-1.

Limitation of responsibility of, *Higham*, 3078; *Winterbotham*, 4048-52; *Peacock*, 4387.

Should not be members, *Williams*, 7550.

Should not borrow from society, *Williams*, 7554.

And see *Higham*, 3076, 3081, 3083, 3099; *Peacock*, 4378, 4388; *Thomas*, 4480-6; *Strachan*, 4718-9; *Middleton*, 5040; *Reay*, 5411-2; *Lee*, 5729; *Ascroft*, 6266-79, 6298; *Hosking*, 1613-15; *Williams*, 7550-4, 7565, 7587-91.

See also *Incorporation, Receipt*.

## TURNER, JAMES, 7450-7692

Connection of witness with the Aldgate and General Mutual Benefit Building Society (Terminating), 7634-7638, 7688-7691; statement as to transactions of this society, 7636-7669; appointment of committee to inquire into directors' issue of a false balance sheet, 7649-7670; suggests public audit of accounts by Government, 7671-7676; instance of an incorrect audit of accounts, 7677-7688; irresponsibility of trustees, 7688-7691; registration of winding-up advisable, 7692.

## UNITED

Building Society, Birmingham. See *Taylor*.  
 Building Societies, Sheffield. See *Allott*.  
 Land Company. See *Grüneisen*.

## VALUATION:

Of properties, often inaccurate, *Brabrook*, 3391.  
 Of accounts or mortgages by actuary, *Peacock*, 4332; *Parker*, 4920.

Mode of, in Liverpool terminating societies, *Reay*, 5419.  
 Should be made once in five years, *Williams*, 7604.  
 And see *Ingoldby* and *Ingle*, 7198 and foll.

## VALUE:

A larger proportion of, advanced by building societies, because of repayments commencing at once, *Higham*, 2939.

The full, sometimes advanced, *Warner*, 2940; *Phillips*, 6055.

Is advanced by Bowkett societies, through advances being without interest, *Bowkett*, 4178.

Various proportions of, advanced:

Four-fifths, *Higham*, 2938; *Lee*, 5705-6.

Two-thirds (but *quere* 14-17ths?), *Thomas*, 4463.

Three-fourths to four-fifths, the average, *Jones*, 5419; and see *Phillips*, 6085.

Three-fourths, *Lee*, 5882; *Allott*, 7811.

Up to nine-tenths, *Reay*, 5417.

Nine-tenths, *Andrew*, 5491-3; *Priest*, 6430.

Near upon full value, *Ryalls*, 6926-7, 6933.

Of mortgages, should be returned, *Parker*, 4916.

## VICARIAN PERMANENT PROPERTY INVESTMENT AND BUILDING SOCIETY, Friedlein, 8274.

## VOTING:

Borrowers should not have right of, *Ingoldby*, 7163, 7221-2.

Minors should not have, *Dawson*, 5192.

Scale of, in Liverpool, *Hosking*, 6537.

For county. See *County Franchise*.

And see *Proxy*.

## WAGES of working men, members of building societies:

Birmingham, 1l. to 30s. a week; 30s. the average; but as low as 12s. and 14s., *Taylor*, 3898.

Ashton, borrowing members, 30s. to 40s.; investing members, from 17s., *Andrew*, 5496-501; or even less, 5560-1.

Manchester, borrowing members, 2l.; investing members less, *Lee*, 5891-3; but see *Woodhouse*, 5042-4.

Oldham, 1l. to 4l., *Ascroft*, 6237-9.

Bradford, 2l., *Lund*, 6686-7.

## WARNER, WILLIAM ROBERT, 2849-3223

Land societies certified as permanent building societies, 2890; societies to build houses, 2896; payment of secretaries, 2914; of directors, 2919; the "Sun" pays mortgage expenses, 2924; survey committees, 2932-2936; mode of making advances, 2940; transactions and management of the "Sun," 2948-2952, 2960-1, 2988, 2991, 2993, 2994-5; it is certified, 2955, 3017; and has power to borrow without limit, 2955-6, 3144; borrowing powers need not be limited, 2960, 3139-

3140, 3144, 3159; terminating societies borrow largely at first, 2967; rates of payment in "Sun," 2981, 3001; fines, 2988, 2991, 2993; as to proposed Bill, 3026, 3053, 3075; winding-up of societies, 3048, 3054, 3056; realized shares, 3061-2; only terminating societies existed when 6 & 7 Wm. 4, c. 32, was passed, 3064; adoption of names by other societies, 3070, 3169, 3170; difficulty as to death and removal of trustees, 3077; directors should have power to purchase buildings, 3085; collateral securities are advantageous, 2940, 3101; advances are only made to members, 3123; borrowing members not solely contemplated by Legislature, 3126; the present law does not meet the requirements of societies, 3131-3133; the amount of loans should be tested against the advances on mortgages, 3148; investment of surplus funds, 3179; costs in arbitrations, 3199; minor members, 3203.

## WESTERN EQUITABLE BUILDING SOCIETY, Bowkett, 4204.

## WHITTINGHAM, WALTER ELLIOTT, 7264-7449, p. 194.

Secretary to the National Freehold Land Society, which advances money for building purposes, 7264-7269; management and transactions of this society, 7272-7316, 7334-7342, 7379-7388, 7394-7414, 7426-7435; members' capital, 7272; advances, 7273-7289, 7307-7313, 7334-7340, 7379-7388, 7397-7402; interest, 7277, 7293, 7294, 7302; connexion with British Land Company, 7281-7289, 7387, 7388, 7433; amount of shares, 7298-7301; bonus, 7302-7304; interest paid by Land Company, 7311-7313; deposits, 7314, 7315; borrowing powers, 7316; considers fines unnecessary, 7341, 7342; the National Freehold was commenced with a view to purchasing freehold land for votes, 7384, 7385; British Land Society's business is carried on under Joint Stock Companies Act, 7387; withdrawals at 28 days' notice, 7390, 7394, 7407-7413; exemption from stamp duty of little importance, 7395, 7396, 7414; "National Freehold Land" Society practically a savings bank, 7409-7413; practice of purchasing estates at a distance, 7426; certificate to deal in land obtained from the Board of Trade, 7433; registration of title under recent Act, 7434.

## WILLIAMS, J. W., 7450-7692

Secretary to London Provident and Benevolent Association, 7450, 7452, 7453; was also secretary for five years to the Householders Building Society (Permanent) in Manchester, 7454; operations of this society, the tables of which were drawn up by witness, 7455-7466; desirability of annual statement of accounts, according to form handed in, and deficiencies in balance sheets of building societies, 7467-7508, 7514-7549, 7593-7596; model form of cash book for use of building societies, 7509-7513; borrowing powers, 7514-7516, 7556-7567; trustees, 7550-7554, 7587-7591; surveyors, 7554, 7555. Penalties; Government accountant to assist registrar in enforcing proper returns, 7583-7549; 7585, 7586, 7614-7638. Advances: Restrictions should be placed by law upon the nature of advances, to prevent departure from original intention of Act, 7568-7580, 7597-7633.

## WINDING-UP:

Clauses for, in rules, *Hoare*, 3026, 3028-30, 3048.

In Mr. Gourley's Bill, *Higham*, 3030, 3049 and foll.; *contra*, *Parker*, 4913-5.

No legislation now applicable to, *Higham*, *Warner*, and *Hoare*, 3048; *Brabrook*, 3500.

Should be under supervision of registrar, *Peacock*, 4370. Should be by county court, *Strachan*, 4739.

Investing members not liable in, *Strachan*, 4656-7.

And see *Higham* and *Hoare*, 3219-22; *Brabrook*, 3500-2; *Winterbotham* 4053; *Strachan*, 4669, 4721, 4731, 4780-6; *Reay*, 5377-8; *Woodhouse*, 6021-3; *Harle*, 8239-40, 8262.

## WINTERBOTHAM, LINDSEY WILLIAM, 3992-4117, p. 57:

Connected with Stroud Provident Benefit Building Society (Permanent), 3992; working of the society, 3994-4022, 4078; monthly payments and paid-up shares, 4001-4003; objects for which building societies were originally formed, 4023, 4024; borrowing powers, 4011-4022, 4025, 4026, 4087-4117; land societies, 4027-4028; surplus funds, views as to investment of, 4029-4038; limit to the amount paid upon any one share should be abolished, 4038, 4039; minors, 4040-4043; qualification for county franchise, 4044-4047; liability of trustees, 4048-4052; winding-up and withdrawal, 4053; fines, 4078; termination of shares, 4085, 4086; limitation of borrowing powers and paid-up shares, 4087-92; views as to exemption from stamp duty, 4093-4104, 4109-4117.

WITHDRAWAL:

Power of, always limited, *Brabrook*, 3300; and see *Strachan*, 4722, 4724-6; *Dawson*, 4999-5004; *Woodhouse*, 5953; *Phillips*, 6115; *Lund*, 6695-6; *Ingoldby*, 7150; *Ingle*, 7156-8; *Whittingham*, 7407, 7413.  
Distinguishes building societies from joint stock companies, *Strachan*, 4656-60.  
Effect of, in Bowkett societies, *Bowkett*, 4163-70.  
But none allowed for five years after appropriation, *Bowkett*, 4263; or for three years in Starr-Bowkett societies, *Prangnell*, 4260.  
Extent of, in Bowkett and Starr-Bowkett societies, *Bowkett* and *Prangnell*, 4262-3.  
Rules or practice as to, *Thomas*, 4558; *Andrew*, 5543-4, 5582, 5590; *Lea*, 5895-8.  
Profit from, *Jones*, 5427; *Allott*, 7910.  
Sometimes encouraged by committees, *Reay*, 5427.  
Difficulties sometimes thrown in way of, *Strachan*, 4727-9.  
Difficulties or dangers through, *Jones*, 5431, 5436; *Woodhouse*, 6009-10, 6015-6; *Ingle*, 7156; *Grüneisen*, 7389-90.  
Facility of, one of strongest recommendations of building societies, *Jones*, 5436; *Whittingham*, 7390.  
Of minors, *Dawson*, 5195.  
And see *Reay*, 5377; *Phillips*, 6102-3, 6110-1, 6115-7, 6126-7, 6152; *Priest* and *Hosking*, 6380, 6450; *Ingoldby* and *Ingle*, 7010-38; *Grüneisen*, 7365; *Harle*, 8260 and foll.  
See also *Notice*.

WOODHOUSE, S. T., 5848-6045 - - - p. 140.  
Secretary to "Queen's" Permanent Building Society at Manchester, 5925; number of members, transactions and management of society, 5926-5996; advances and payments, 5928-5932; paid-up shares, 5933-5938, 5944-5950, 6018-6020; rate of interest, 5939-5943, 5954-5961; withdrawals, 5951-5953, 6016, 6017; amounts on deposit, 5962-5969; loans, 5970-5972; premiums and deferred premiums, 5973-5977; commission and management expenses, 5978-5986; branch offices, 5983, 5987-5991; dislike of members to speculate in land, 5992-5996; legal position of building societies generally, 6003; borrowing powers, 6003-6012, 6035; preference capital, 6015; winding-up, 6021, 6022; registration, 6023; collateral security, 6031-6033; building societies desire an Act distinct from that for friendly societies, 6035; value of houses owned by members of the "Queens," 6036-6044; objects for which the society was formed, 5045.

WORKING CLASSES:

Form the bulk of the Birmingham societies, *Taylor*, 3794, 3892-3, 3914; especially in the "Queen's," 3900.  
Of the societies in the North of England, *Campbell*, 4868.

Of the Ashton-under-Lyne societies, *Andrew*, 5495, 5558-9.  
Of the Oldham societies, *Ascroft*, 6236-40, 6347.  
Of certain Liverpool societies, *Priest*, 6424-5, 6462; *Hosking*, 6543.  
Of the "Stroud" Society, *Winterbotham*, 3997.  
Of the "Leeds Permanent," *Middleton* and *Dawson*, 5125.  
Apparently of the "Burnley" Society, *Lee*, 5747-8, 5750-2, 5774, 5831.  
Of the mutual societies, *Peacock*, 4291.  
Starr-Bowkett societies, very suitable for, *Parker*, 4931-2.  
Many members of, in "London and General," *Selway*, 3538; "Industrial," *Greenwich*, *Blake*, 3539; in terminating societies in Manchester, *Lea*, 5890-3; in "Queen's," Permanent, Manchester, *Woodhouse*, 6036-7; in "Planet," *Ingoldby*, 7107-8; in "Sheffield and South Yorkshire," *Allott*, 7810-1.  
Few members of, join permanent societies, *Parker*, 4932.  
Prefer permanent societies in Liverpool, *Reay*, 5292.  
Permanent societies of most service to them, *Allott*, 7730.  
In Liverpool invest largely, but do not borrow much, *Jones* and *Reay*, 5262-5, 5372.  
Ditto in Ashton-under-Lyne, *Andrew*, 5499-5500, 5560; and in Manchester, *Lea*, 5893.  
In "Bradford Third Equitable" form 80 per cent. of investors and 50 per cent. of borrowers, *Lund*, 6688; and see 6744 as to "Second Equitable."  
Form the greater number of the investors in Sheffield, *Allott*, 7728-9.  
In "Birkbeck" are chiefly borrowers, *Ravenscroft*, 8051-4, 8114-5.  
Do not borrow except through building societies, *Winterbotham*, 4098.  
Cannot build for themselves near London, *Higham*, 2907.  
In Birmingham own 13,000 houses and whole streets, *Taylor*, 3666; and are very ambitious to be freeholders, 3692.  
About Newcastle, take very little part in building societies, either as borrowers or investors, *Harle*, 8196-9.  
Would be greatly dissatisfied if exemptions were taken off, *Brown*, 4112.  
Not so competent as tradesmen to manage building societies, *Strachan*, 4707; and see *Campbell*, 4868.  
What they look to in joining building societies, *Campbell*, 4869.

WORKING MEN'S BUILDING SOCIETIES, Sunderland. See *Campbell*.  
Building Society, Liverpool. See *Reay*.

WORKS, advances on, *Ryalls*, 6852-3, 6856; *Allott*, 7717-22.



LONDON :  
Printed by GEORGE E. FYRE and WILLIAM SPOTTISWOODE,  
Printers to the Queen's most Excellent Majesty.  
For Her Majesty's Stationery Office.

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# FIRST REPORT

OF

## THE COMMISSIONERS

APPOINTED TO INQUIRE INTO

# FRIENDLY AND BENEFIT BUILDING SOCIETIES;

TOGETHER WITH

MINUTES OF EVIDENCE, APPENDIX, AND INDEX.

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*Presented to both Houses of Parliament by Command of Her Majesty.*

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LONDON:

PRINTED BY GEORGE EDWARD FYER AND WILLIAM SPOTTISWOODE,  
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY,  
FOR HER MAJESTY'S STATIONERY OFFICE.

1871.













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